Austria	Sch24	Indonesia	Rp3150	Philippines	Pes[illegible]
Bahrain	Din0.700	Iran	Rls210	Portugal	Esc[illegible]
Belgium	BFr55	Israel	Shk3.50	Qatar	QR9.00
Cyprus	C£0.90	Italy	L2000	S.Arabia	SR7.00
Denmark	DKr12.00	Jordan	Fils1000	Singapore	S$4.10
Egypt	E£3.25	Kuwait	Fils.500	Spain	Pta165
Finland	FM8.00	Lebanon	L£600.00	Sweden	SKr12
France	FFr7.50	Lux	LFr55	Switz	SFr2.50
Germany	DM2.80	Malaysia	Rin4.25	Thailand	Bt50
Greece	Dr150	Morocco	Dh6.00	Tunisia	Din0.800
Hong Kong	HK$12	Neth	Fl3.25	Turkey	L1400
Hungary	Ft107	Nigeria	Naira10	UAE	Dh7.00
Iceland	IKr160	Norway	NKr12.00		
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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JAPAN
Political independents find election space
Page 4

World News

Bonn lays down plan for economic unification

The West German Government put forward a three-point plan to forge full economic and monetary union with East Germany before the end of 1992.

The proposals envisage a "far-reaching transfer of sovereignty" by E Germany, according to details put forward by Mr Helmut Haussmann, the Bonn Economics Minister. Bonn is making clear that E Germany must bring in economic liberalisation as a condition for a link between the two currencies. Page 18

Romania devalues

Romania's ruling National Salvation Front announced liberalisation of small-scale private enterprise and a substantial devaluation of the currency. Page 18

Bush Pentagon move

President George Bush headed West to California on a trip aimed at boosting support within the US for his approach to streamlining the Pentagon. Page 5

Genscher woos UK

West German Foreign Minister Hans-Dietrich Genscher launched a bid for British support of his policy that E Germany should have special status in Nato after unification of Germany. Page 2

US drug aid call

President Alan Garcia of Peru said the US must provide more aid to fight the drugs trade. Page 5

Aoun makes gains

Troops under General Michel Aoun appeared to be gaining the upper hand in their war for control of Lebanon's Christian enclave. Page 4

China warms to UK

China's leadership softened its hard line towards Britain, displayed since Hong Kong supported dissidents last summer in Peking, by saying China attached importance to Sino-British relations. Page 3

EC air pollution

Carlo Ripa di Meana, the EC's Environment Commissioner, signalled Brussels' determination to press for new curbs on airport noise and aircraft engine emissions. Page 2

Israeli talks delay

Israeli Prime Minister Yitzhak Shamir postponed until next Monday a key meeting of his Likud Party that could determine the course of Israeli-Palestinian peace talks. Page 4

East bloc TV

Eastern Europe's first private TV station began broadcasting from the top of a student hostel in the Polish city, Wroclaw.

AIDS epidemic

A team of experts from the World Health Organisation has been sent to Romania to assess an AIDS epidemic among children.

US jets crash

A US A-10 ground attack plane crashed in a mountainous area of Wales a day after a US F-111 bomber plunged into the sea off eastern England.

Journalists expelled

London protested vehemently against Pretoria's expulsion of two British journalists who were accused of distorting reporting during a rebel English cricket tour.

Pacific defence vote

The western Pacific islands of Palau looked set to reject formation of a "Compact of Free Association" with the US, which would give Washington extensive defence rights.

Prince Charles plea

Britain's Prince Charles said developing countries should be helped to achieve economic growth without having to plunder their rain forests.

Business Summary

UK export insurer faces trade deficit of £441m

Britain's Export Credits Guarantee Department, the state export insurance body, announced a record £441m ($748m) trading deficit last year – and indicated that further huge losses were in the pipeline because of its loans to Third World debtor countries. Page 18

MARKETS: US Treasury bond prices continued to fall ahead of the first auction of the Treasury's quarterly refunding, the sale of $10bn in three-year notes. Page 28; Lex, Page 18. Share prices ended moderately higher in Tokyo, Page 40. London's trading volume was light which left the FT-SE Index with a 27 point loss on the day. Page 29. Profit-taking, concern about interest rates and Wall Street's weak opening took the wind out of sails of continental markets Page 40

NORSK DATA, troubled Norwegian minicomputer manufacturer, announced pre-tax losses in 1989 deepened by 29 per cent to NKr419m ($64m) from NKr326m ($50m) the previous year. Page 21

ARGENTINA'S currency, the austral, slumped, sweeping aside lingering hopes that the Government had recovered some public confidence. Page 5

WEST GERMANY'S economy demonstrated its continuing strength with news of a sharp rise in manufacturing orders at the end of 1989 and a smaller than usual increase in January unemployment. Page 18

JAPAN'S sales of imported car sales rose 57.6 per cent in January, compared with the same month last year. Page 6

IMPERIAL Chemical Industries, one of Britain's biggest manufacturers, plans to double its employment in the Far East over the next few years. Page 10

FORD PLANTS in the UK were running virtually as normal in spite of a strike by 1,600 electricians, the company said. Page 9

EAST GERMANY plans to integrate itself into Europe's business life after 1992, Christian Meyer, deputy minister for foreign trade, said. Page 6

PEPSICO, world's second biggest producer of soft drinks, reported a 17 per cent improvement in per-share earnings for 1989, comfortably fulfilling its earlier projections of profits growth of more than 15 per cent for the year. Page 20

FAI INSURANCES, Australian general insurance group, reported a 52 per cent drop in interim profits to A$17.5m ($13.6m). A hefty writedown on equity investments and an underwriting loss were blamed. Page 20

PHARMACIA, Swedish pharmaceutical company, proclaimed victory in a patent infringement suit against a US company concerning Healon, its biggest-selling product. Page 21

BRITISH total farm income rose by 11 per cent last year to £2.17bn ($3.67bn) according to Ministry of Agriculture statistics. Page 28

OIL stocks held by western oil companies have fallen to the lowest level since 1974, the year of the first world oil crisis. Page 28

NORANDA, big Toronto-based forestry, mining and industrial group, was badly hurt by falling prices and a strong Canadian dollar in the fourth quarter of 1989. Page 20

INSIDER dealing, the misuse of financial information to gain profit on market transactions, has infected world stock trading. FT writers examine the dealers, their practices and how different legal system affect them. Page 8

Soviet hardliners round on Gorbachev's reform

By Quentin Peel in Moscow

STAUNCH conservatives in the Soviet Communist Party were yesterday fighting a furious rearguard action against President Mikhail Gorbachev's plans to abandon the party's monopoly on power, forcing the crucial plenary meeting of the Central Committee to be extended for another day.

The possibility of a split in the party, with a breakaway either by conservatives or radicals, looked increasingly likely last night, as speakers at the plenum revealed deep divisions over the future of perestroika.

Soviet television reported that the biggest round of applause had gone to Mr Yegor Ligachev, the leading conservative in the Politburo, for "a very critical speech" in which he attacked the work of both the Central Committee and the Politburo itself.

However Mr Gorbachev's closest supporters still expressed confidence that the Soviet leader would push through his sweeping reforms, abandoning the constitutional guarantee of its leading role, and ending the tradition of "democratic centralism" which has enforced party discipline from the top since the days of Vladimir Lenin.

He won a resounding endorsement from Mr Nikolai Ryzhkov, the Soviet Prime Minister sometimes seen as a moderate conservative alternative leader, who declared that a multi-party system was already a "fait accompli," according to the Soviet news agency, Tass.

Speaker after speaker at the plenum rose yesterday, and on Monday, to denounce the new party platform proposed by Mr Gorbachev, the record of perestroika, the disintegration of law and order and the state of the Soviet economy. Several speakers attacked the leadership openly.

Perhaps the sharpest criticism of all came from Mr Vladimir Brovikov, the Soviet ambassador to Poland and a former leading party official under Mr Leonid Brezhnev.

"It has become fashionable to blame all our disasters on the past, but what we are facing now is not the result of yesterday's stagnation but of perestroika," Mr Brovikov said. He attacked what he described as the democratisation of Soviet society, without the introduction of law and order.

"Democracy without law and order is unthinkable, since it inevitably turns, or degenerates into social and political chaos," he said.

Mr Brovikov also denounced the plan to extend the executive powers of the Soviet presidency and replace the Communist Party general secretary with a chairman.

Another major onslaught came from Mr Boris Gidaspov, leader of the Leningrad Communist Party and widely seen as a new conservative challenger to the Soviet leader.

He said that destabilisation in the country was growing every day and the Gorbachev party platform "does not give cause for optimism." He blamed "complete disorganisation of the executive mechanism," Tass reported.

"The degree of control of the state is rapidly falling, and ministries are in complete torpor," Mr Gidaspov said. The Communist Party itself was being "methodically removed from guidance." He attacked the leadership for failing to give any "political assessment to the new laws being introduced by the Supreme Soviet."

Mr Gidaspov also proposed calling the next party congress in March or April – even earlier than proposed by Mr Gorbachev – to decide inner-party personnel questions: a clear attack on the leadership.

Yet the Soviet leader won vital support from the leaders of non-Russian republics, such as Mr Indrek Toome, the Estonian premier, and Mr Pyotr Luchinsky, new leader of Moldavia.

"The tendency is for the better, for radical changes," Mr Toome told reporters outside the Kremlin meeting. Mr Luchinsky described the platform as "an impressive step forward."

Mr Gennady Gerasimov, the Soviet government spokesman, rejected suggestions that the Soviet leader might be seriously weakened by the plenum and the fierce reaction from party conservatives at the plenum.

"Of course (his power) is going to be reinforced," he said. "Otherwise he would not have called it. We must move with the tide. We must move with the people and not be left behind."

Good news for Mr Gorbachev came with the resignation yesterday of yet another leading conservative from the provinces, Mr Leonid Bobykin, the party chief in the Urals industrial city of Sverdlovsk.

One member of the Soviet Government outside the Central Committee said yesterday that Mr Gorbachev had clearly waited until the popular tide had turned against the conservatives, before making his move.

However he warned that it was "a very fragile time for perestroika," and it was impossible to rule out a right-wing backlash.

Moscow election meetings, Page 2; Editorial comment, Page 16

● Old certainties wither
● Azerbaijan violence Page 2
● Czechoslovakia presses for speedy removal of troops Page 3
● Ridley urges free market Page 9
● Editorial comment Page 16

Spotlight on the old men of the Kremlin

By Quentin Peel in Moscow

THE 249-strong central committee of the Soviet Communist party, which is being challenged by Mr Mikhail Gorbachev to abandon its monopoly on power and privileges, is overwhelmingly male, ageing and dominated by bureaucrats.

Despite the best efforts of Mr Gorbachev to reform it, 61 per cent of its members are past the pensionable age of 60, and almost a quarter are over 70. Only 16, or just 6 per cent, are women - one fewer than the military delegation, which numbers 17.

Perhaps more damning still for a party which claims to be the vanguard of the proletariat, only 11 per cent (29) are from the working class, compared with 57 per cent in the party as a whole.

Instead, 85 of the 249 members are full-time party bureaucrats, and a further 94 are government ministers or deputy ministers. The military contingent was reduced from 26 last April at the last mass retirement, but that still left the party's ruling body aged and bureaucratic. Six members had more than 37 years' service each.

The full details were published in the latest issue of Argumenti i Fakti, the mass-circulation reformist weekly newspaper, clearly intent on stoking up further popular pressure for the ruling body to reform.

"It is difficult not to draw the conclusion that virtually all leading organisations of the party are formed on the basis of rank," it says. "Was the party correct in electing such a central committee, and does it expect from it dynamism, revolutionary energy, flexibility and unconventional thinking?"

Leonid Bobykin, Communist Party chief for the Siberian ciy of Sverdlovsk, yesterday joined the list of conservative party leaders forced to resign under pressure from local activists. The political demise of Mr Bobykin, a powerful Central Committee member, follows the fall of party leaders in the cities of Volgograd, Tyunen, Vladivostok and Zhitonor, whose party leaders all resigned in the face of grass-roots pressure. Page 2

Fed is urged to allow growth to exceed target

By Peter Riddell, US Editor, in Washington

THE US Federal Reserve should be prepared to allow monetary growth to exceed its target range this year to accommodate an expected rebound in economic activity later this year, according to the annual Economic Report of the President.

The report, published yesterday, came as the policymaking Federal Open Market Committee (FOMC) was reviewing its monetary targets for 1990, to be announced on February 20.

The FOMC is not expected to change short-term interest rates because of concern about inflation.

Four presidents of regional Fed banks were also testifying to Congress in support of a resolution making the elimination within five years of inflation a formal Fed aim, so that it would cease to be a factor in decision-making.

The 419-page White House report contains the economic forecasts announced in last week's US Budget as well as a lengthy discussion of the Administration's economic policy prepared by Mr Michael Boskin, chairman of the council of economic advisers, and his staff.

The Administration report states that the main objective of economic policy is the achievement of "the highest possible rate of economic growth" and more emphasis is placed on this, and a gradualist approach to containing and reducing inflation, than the Fed's aim of achieving stable prices.

Gross national product is officially forecast to grow at a nominal rate of about 7 per cent this year, interest rates are projected to come down, and a decline is forecast in the velocity of M2 (a monetary measure including cash, demand and savings deposits). This, the report says, implies that "M2 could exceed its provisional target range in 1990." Velocity – the ratio of GNP to this monetary measure – may decline as a result of a drop in market interest rates which is expected to continue.

If there is a significant decline in M2 velocity, the FOMC could choose to raise the upper limit of its monetary target.

However, if the FOMC leaves the range unchanged, but economic growth picks up as expected, "the higher demand for money could lead the FOMC to allow M2 to exceed its target range during 1990; if so, growth in the money stock should be slower in succeeding years as velocity returns to its long-run average."

Support for Fed goal, Page 5

Mandela 'prepared to leave his prison'

By Patti Waldmeir and Michael Holman in Cape Town

MR NELSON MANDELA, leader of the African National Congress, has described recent political reforms in South Africa as "bold and courageous" and is prepared to leave prison without imposing further preconditions, according to a leading anti-apartheid campaigner who visited him yesterday.

The reaction of Mr Mandela to political changes from Pretoria emerged as a South African Government minister made clear that even more radical reforms were in prospect, including abolition of the most fundamental piece of apartheid legislation, the Population Registration Act.

However, the positive response of the ANC leader – reported by the Rev Allan Boesak after a 3½-hour meeting yesterday at Mr Mandela's prison bungalow near Paarl – did not appear to signal an early start to negotiations between Pretoria and the ANC.

Mr Walter Sisulu, who is second in seniority to Mr Mandela in the ANC, said yesterday that there was "no question yet" of direct talks with the Government.

Reforms announced last Friday by Mr F.W. de Klerk, the South African President, were a "progressive step, " said Mr Sisulu on his return to South Africa from an ANC meeting in Stockholm. However he described the changes – which included unbanning the ANC, releasing some political prisoners and lifting restrictions on

Continued on Page 18

Brussels clears Ricoh in probe into assembly of photocopiers

By David Buchan in Brussels and George Graham in Paris

THE EUROPEAN Commission yesterday cleared the French subsidiary of Ricoh, the Japanese office equipment group, in an anti-dumping inquiry into photocopier assembly.

The Commission said it was satisfied that the value of Japanese parts going into copiers made by the subsidiary at Colmar, in Alsace, was less than 60 per cent of the final products. Under the terms of the Community's "screwdriver rule" Ricoh was, therefore, not using its French plant to get around an EC anti-dumping action on the company's shipments direct from Japan.

The "screwdriver rule" penalizes companies seeking to avoid anti-dumping duties by setting up plants in the Community and importing low-priced parts for assembly.

Separately, Ricoh yesterday unveiled plans to build a further factory in north-east France to produce thermal paper for fax machines and food labels.

Mr Yoshiharu Moriya, president of Ricoh Europe, said the new Y6.7bn ($45m) factory at Colmar would make Ricoh the leading fax paper producer in the three major markets: Japan (31,000 tonnes a year), the US (15,000 tonnes) and Europe (30,000 tonnes). The company had been heavily dependent on imports of thermal fax paper from Japan.

The European market for thermal paper in 1989 is estimated by Ricoh at 32,000 tonnes for fax uses, with expected growth of 20 to 30 per cent a year, and 14,000 tonnes for labelling, with expected growth of 20 per cent a year.

Ricoh appears not to have been deterred from investing in France by its experience in fax machines. Its factory at Colmar has been producing since January 1989, but France Telecom refused to give technical approval to its fax machines, which had to be sold for export.

France Telecom had operated a highly protective policy in the fax market, but last month it authorised Ricoh to sell its faxes in France.

The French Government has in the past been unenthusiastic about Japanese manufacturing plants and has criticised the UK for acting as a trojan horse for Japanese carmakers. Recently, however, it has set out to win its share of Japanese investment in Europe.

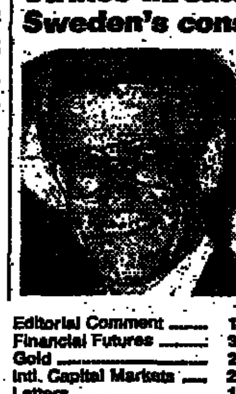
In Tokyo last Friday, Mr Hiroshi Hamada, the Ricoh president, stressed his company's strategy was to make "the right products in the most appropriate locations."

Ricoh's progressive strategy in its local EC and US markets was to assemble, make parts, carry out research, export, hire local management, and use local capital, he said. But without flexible rules of origin to allow new factories or new models to get going, foreign investment "couldn't get off the ground".

Ricoh has been the target of several Commission probes into the origin of its products sold in Europe. Brussels also had claimed that copiers shipped from Ricoh's California plant to the EC had mainly Japanese parts, and therefore were essentially Japanese, not American, in origin.

CONTENTS

Strikes threaten to tear apart Sweden's consensus society



Prime Minister Ingvar Carlsson (left) meets trade union and employers' leaders to try and win support for a two-year central wage agreement to help restrain demand in the overheated economy.
Page 2

MARKETS

STERLING
New York lunchtime:
$1.701
London:
$1.7025 (1.695)
DM2.8225 (2.83)
FFr9.6075 (9.62)
SFr2.515 (2.5075)
Y247.0 (248.25)
£ Index 89.3 (89.4)

GOLD
New York: Comex Apr
$426.5
London:
$421.25 (423.25)

N SEA OIL (Argus)
Brent 15-day Mar
$19.875 (20.075)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.6615
FFr5.657
SFr1.4795
Y145.4
London:
DM1.6575 (1.67)
FFr5.6425 (5.675)
SFr1.477 (1.48)
Y145.1 (145.35)
$ Index 66.6 (66.8)
Tokyo close: Y144.9

US lunchtime rates
Fed Funds 8⅛%
3-mo Treasury Bills:
yield: 8.057%
Long Bond:
95 7/32
yield: 8.566%

STOCK INDICES
FT-SE 100:
2,321.1 (−27.3)
FT Ordinary:
1,835.6 (−25.4)
FT-A All-Share:
1,160.69 (−1.0%)
New York lunchtime:
DJ Ind: Av.
2,596.62 (−25.9)
S&P Comp
328.46 (−3.39)
Tokyo: Nikkei
37,686.83 (+35.42)

LONDON MONEY
3-month interbank:
closing 15 3/32 (same)
Life long gilt future:
Mar 87⅛-86 27/32 (86 27/32)

Genscher seeks support from UK on reunification

By David Marsh in Bonn

MR Hans-Dietrich Genscher, the West German Foreign Minister, yesterday launched a strong bid for support from Britain for his policy that East Germany should be given special status within Nato once the two halves of Germany are reunified.

In talks in Bonn with Mr Douglas Hurd, the British Foreign Secretary, Mr Genscher said a reunified Germany would remain a member of Nato, but Nato troops should not be extended across East Germany to the Polish border.

Mr Hurd, who also saw Chancellor Helmut Kohl, expressed strong support for the principle of German self-determination.

But, in a speech to the Konrad Adenauer Foundation, Mr Hurd stressed Britain's anxiety to "get the right answers to the practical questions" of reconciling German unity with maintaining European security.

On the thorny question of the future of the 380,000 Soviet troops in East Germany, Mr Hurd said arrangements for German unity needed to be squared with the Soviet Union's "legitimate anxieties" over its own security position.

Mr Hurd also agreed with Mr Genscher on the importance of a European summit, attended by the US and Soviet Union, to be held in the autumn and linking the 35 signatories of the Conference on Security and Cooperation in Europe.

Mr Hurd's one-day visit was politically delicate in view of anxieties in West Germany that Mrs Margaret Thatcher, the British Prime Minister, has been seeking to put a brake on the reunification process.

Hans Dietrich Genscher welcoming his Polish counterpart Krzysztorf Skubiszewski before talks in Bonn

Mr Genscher, in common with the rest of the Bonn Government, now regards unity as only a matter of time in view of the economic and social pressures building up in the beleaguered East German state.

In contrast with his remarks when he visited East Berlin last month, Mr Hurd yesterday emphasised the positive aspects of German reunification rather than the difficulties.

He underlined the challenge of reunification, but stressed that German membership of Nato was necessary as "a crucial element in the security of us all."

He drew a ripple of applause from officials, diplomats and military officers when he said it was inconceivable that, of all the peoples in Europe, only the Germans should be denied the right of self-determination.

Answering questions afterwards, Mr Hurd expressed scepticism about West German ideas that the Nato and Warsaw Pact alliances should eventually be replaced by a new form of European "security structure."

Mr Genscher believes that Nato and the Warsaw Pact should remain in place as increasingly political organisations to pave the way to this new "European peace order."

Old certainties wither amid voters' derision

Charles Leadbeater sees old- and new-style communists at Moscow election meetings

MR Alexander Federov's political world was collapsing around him on the stage of the Robotnik theatre.

As the mockery of the 40 electors he was addressing in central Moscow became more and more uninhibited, so Mr Federov, an official Communist Party candidate for a seat on Moscow City Council in the March 4 local elections, became more and more angry.

His face reddened and his forehead glistened as his election address turned into a blustering, hectoring lecture.

Incomprehension was scoured on his deeply furrowed brow: why was the party he had been loyal to for more than 30 years treated with such disdain by the voters of the 5th district of Krasnopresnensky, one of Moscow's central areas?

Local elections are being held across the Soviet Union over the next month, with thousands of candidates contesting seats for both republican parliaments and city and regional soviets (councils).

Mr Federov found that the rhetoric which used to command acquiescence only drew laughter. There were two messages from the string of nightly local election meetings in Krasnopresnensky.

The party's reputation among the people it claims to represent is low. And its only hope of renewal is to articulate the radicalism which is popular commonsense among the district's voters.

As Mr Gorbachev was proposing that the party give up its monopoly on power, its social privileges were coming under attack in Krasnopresnensky.

"How did you get your apartment?" a young man asked – with the implication that Mr Federov had no right to it.

The beleaguered, middle-aged communist explained that it had come with an 1962 appointment to the central committee of Komsomol, the party's youth organisation. He had kept hold of it entirely lawfully. "Who knows whether it was lawful," shouted a heckler from the back.

They then turned to Mr Federov's job, training young people for Army and Navy service. "What is the point of your defence activity? What have we got left to defend, especially after recent political events in eastern Europe?" asked a man from the front.

Mr Federov became indignant. "Training people for a patriotic upbringing is very important. Defence is still important, look at what the US army did in Panama."

The ranks of blank faces he was addressing turned to laughter when he pleaded for respect. "I work night and day for our young people," he said reproachfully.

"I am surprised you have enough time to sleep," came the reply from a man at the back.

Another questioner from the middle rows asked whether Mr Federov would stay in a party which included Mr Ligachev and Mr Yasov. "We will have to wait for the outcome of the central committee. I will accept what the leadership proposes," he said.

He was not evil or sinister. He was sad rather than frightening. As the grip he expected to have on the audience failed, so his face reddened with exasperation. Not only his politics, but his life, rested on the certainty of loyalty to a party whose future was suddenly uncertain.

Like local politics anywhere the meeting had its own concerns – the poor quality of cabbage, sports facilities for young people and aid for the disabled.

But the divisions in the Central Committee were amplified in the local politics Krasnopresnensky.

A quarter of a mile away in the 13th district Mr Norman Edgarovich, was displaying a very different face of the party. "I do not want to stay in a party which still has room for Ligachev and Yasov," he told a small group gathered in a meeting room in the basement of an apartment block.

Mr Edgarovich's most persistent questioner was a 74-year-old widow clad in black. "Surely society will fragment with local self government in Moscow?" she asked.

He replied: "For 70 years we have been forced to forego our own interests for the sake of abstract altruism and it has not worked."

As someone who lived through the Second World War she warned against disarmament as Germany headed for reunification.

Mr Edgarovich gave no ground: "In my lifetime the army has fought in Afghanistan, Hungary and Czechoslovakia always against the people. I can do without an army like that."

To him the party's future course was obvious. To murmurs of approval round the small room he pledged: "At my first meeting as a deputy I would call for Moscow to renounce the party's monopoly in the city. The party should pull back. It should not be organised in the army or in enterprises."

In Moscow things quickly turn into their opposites. The tight control of information feeds rampant rumour and speculation. The inadequacies of the planned economy fuels barter and the black market economy.

Behind Mr Edgarovich hung one of Lenin's aphorisms: "The party is the conscience, mind and honour of the nation. For most voters in Krasnopresnensky it seems the party has become synonymous with corruption, dogma and dishonour."

Soviet elections

The Communist party chief in the Soviet industrial region of Sverdlovsk has joined a growing list of conservative officials forced to resign under pressure from local activists, writes Mark Nicholson in Moscow.

The demise of Mr Leonid Bobykin, a powerful central committee member, followed months of opposition by newly formed local democracy groups and an ultimatum from industrial collectives that they would not pay their party fees until he quit.

The centre of Sverdlovsk (pop 1.5m), the main industrial city in the Urals, was brought to a standstill on December 29 by protests over the complete absence of vodka in local shops to celebrate the new year.

The vodka protest, coming on top of already acute shortages of food and clothing, sparked the creation of a "December 29" committee of local activists to press the regional and city party into reforms. The committee has now merged with other pro-democracy groups and is to field candidates in the local elections.

Gorbachev critics demand party discipline

By Mark Nicholson in Moscow

CONSERVATIVE critics of Mr Mikhail's *Gorbachev's speech on Monday used* as their rallying cry the need for strict discipline and stern efforts to bind the Communist Party's unity and ensure its ideological and political leadership.

Many speakers worried that the party's authority was disappearing. "We are losing our position on the governing role of the party," said Mr A.I. Kornienko, general secretary of the Kiev regional party.

"Communists, individuals and many non-party members are concerned that dangerous processes have begun leading to the division of the party.

"There is no other force today which could protect socialist ideals ... Who is spiritually and ideologically capable of leading the masses? These questions aren't automatically answered. Today it is emotions which are pre-eminent, and not reason."

He went on: "Because it is obvious the party does not have an ideological platform, people ask why the party and the central committee adopt a defensive position and do not have a firm point of view. Though we are equipped with great intellectual potential, we feel theoretically disarmed."

Mr V.K. Mesyats, the Moscow regional party chief, pushed the theme. "Apart from the CPSU, there is no other force capable of uniting the people, capable of coming through the difficulty of this transitional period and bringing the country out of the crisis," he said.

"Unfortunately, this principle is not recognised in the draft platform of the CPSU for the 28th party congress. What makes us cautious is that some people ... are trying to bind us to the pluralism of their far from selfless actions and aims."

Fears were also raised that party irresolution would fatally fragment the Soviet Union. With an eye on secession-minded republics, Mrs T.G. Ivanova, deputy president of the Russian Supreme Soviet, warned that the very principle of socialist internationalism was at stake.

"*In maintaining and giving meaning to* this as a way of life, the party has to play a role ... For this, the consent of all the Communist parties of the various republics is necessary," she said.

Mr Y. Sokolov, the Belorussian first secretary, said that regional parties must be allowed to act on their own initiative, but there were limits. "*I am for the* independence of communist parties, but against their isolation," he said. "I am against a federation within the CPSU." He said that at the very time the party needed to demonstrate the vital will to act it could least afford to sacrifice the key Leninist principle of democratic centralism.

Critics also rounded on what they saw as the economic failings of perestroika. "Our indecision is seen as weakness. Things have gone too far," said Mr Mesyats.

"Is this the main reason why in the last five years we have had no success in gaining those positive results which we expected in the economy?

"Let's be realistic. The lack of discipline, lack of organisation and violation of productive rhythms which have become the everyday reality have not added food and goods to the shelves of our shops.

"They do not accelerate the building of housing and other social structures. They do not improve the medical, household and community services and indeed do not assist the solution of the country's crisis."

Blockades and violence continue in Azerbaijan

THE SOVIET Union yesterday reported more protest strikes and blockades in Azerbaijan and continuing attacks on troops sent to the region last month to stop ethnic riots and nationalist unrest, Reuter reports from Moscow.

The government newspaper, Izvestia, said demonstrators blocked bus and tram routes on Monday in Baku, the Azerbaijani capital. Strikes closed more than 40 per cent of enterprises, it reported.

"The attacks on military posts and units have not stopped," Izvestia said. Late on Sunday evening, shots were fired from a passing car at a military guard post near an oil refinery, but the report did not mention any injuries.

Izvestia said losses from strikes since January 18 amounted to Roubles 347m ($588m) across Azerbaijan. The southern republic provides 5 per cent of the Soviet Union's oil and 60 per cent of its oil field equipment.

Strikes have also hit other areas including Azerbaijan's second largest city, Gyandzha (formerly Kirovabad) and the petrochemical centre of Sumgait.

A 10,000-strong demonstration in Agdash, 200 km west of Baku, demanded that the Soviet authorities release members of the nationalist Popular Front movement arrested when the troops moved in, Izvestia said.

More than 143 people have died since the army smashed through barricades to take control of Baku and end a week of ethnic rioting and the collapse of authority in many parts of Azerbaijan.

Baku's military commander, General Vladimir Dubinyak, said last week that 17,000 army and Interior Ministry troops in Baku could leave the republic by the middle of the month – if strikes and attacks on soldiers stopped.

Izvestia said rail transport in Azerbaijan was at a standstill, with many wagons of oil and fuel products stranded. It said leaflets were being distributed in Gyandzha and Lenkoran, near the border with Iran, appealing for more strikes and riots.

Azerbaijan's new Communist Party chief, Mr Ayaz Mutalibov, yesterday told a meeting of the policy-setting Central Committee in Moscow that the party had lost touch with the people because it had ignored local interests.

Brussels to press for airport noise curbs

By Tim Dickson in Brussels

MR CARLO Ripa di Meana, the European Community's Environment Commissioner, yesterday signalled Brussels' determination to press ahead with new curbs on airport noise and aircraft engine emissions.

In a speech to the European Region of the International Civil Airports' Association, Mr Ripa di Meana announced that work is already under way on a draft directive aimed at making all operating aircraft comply with "the strictest internationally agreed standards" for modern aircraft.

The Commission's intention is to go significantly beyond the rules agreed by the EC Council of Ministers last December, which say that from November 1 this year Community airlines will not be able to add the noisier generations of aircraft to their fleets.

Under the new proposal this "non-addition" principle will be replaced by a potentially much more restrictive "non-operation" rule, which will effectively ground the 5,300 aircraft in the world which do not conform with the so-called "Chapter Three" standards of the International Civil Aviation Organisation(ICAO).

Previous directives on aircraft noise have mostly been drafted by transport officials in Brussels but Mr Ripa di Meana appears determined that further initiatives will be firmly part of the EC's environment policy.

He emphasised that, notwithstanding the failure of ICAO delegates at their last meeting in October to agree on the next stage of noise regulation, "we, the Europeans, must now forge ahead on our own."

On the question of exhaust emissions, Mr Ripa di Meana admitted that the Commission has done "very little work" on the subject to date. He added: "It is my belief that this subject must also be examined in greater detail at a Community level and I have given my services instructions to begin detailed work."

Gdansk yard wins new orders

By Christopher Bobinski in Warsaw

POLAND'S Gdansk shipyard, reprieved last month by the Solidarity-led Government, is reporting new orders and has started fresh talks on a possible investment there by Ms Barbara Piasecka Johnson, a US millionaire of Polish origin.

Mr Hans Szyc, a veteran Solidarity activist and the newly-appointed managing director of the yard, said he had signed a contract worth $130m to build six refrigerator vessels for Reksten, a Norwegian shipping company, and a further four vessels for Transocean, a Polish company, worth $50m.

On Monday Ms Piasecka Johnson outlined details of a plan for a joint venture with the yard, which was the birthplace of Solidarity.

Her involvement began after the Communist Government in 1989 initiated a two-year liquidation plan for the yard. This was resisted by Solidarity and Mr Lech Walesa who enlisted her last summer.

Subsequent delays on an agreement with her, together with the increasingly desperate situation of the yard, led Mr Walesa successfully to put pressure on the Government to rescind the liquidation order.

In her plan, Ms Piasecka Johnson offers to cover up to $90m of the yard's losses over the next three years while her accountants have valued the yard as being worth no more than $6.5m, a figure which is being questioned by government officials responsible for privatisation.

Newspaper reports that she intended to cut the yard's present workforce of 7,300 by 50 per cent have, however, done much to dispel the euphoria which accompanied Ms Piasecka Johnson when she first offered to help save the yard.

The yard is now to be turned into a 100 per cent state-owned joint stock company and a government commission is to report by the end of the month on what proportion of the shares are to be kept by the state or sold.

Ethnic Albanian crowds mourn dead in Kosovo

TENS of thousands of ethnic Albanians shouting "Glory, Glory" marched in Kosovo province on Tuesday to mourn 29 people killed in clashes with riot police, Reuter reports from Pristina.

Tanks patrolled country roads and fighter planes swooped low over the southern Yugoslav province throughout the day. The army kept a close watch on marchers but made no attempt to stop them.

About 20,000 ethnic Albanians carrying candles marched through Pristina and gathered near the provincial parliament as it began debating last week's crackdown on rioters.

Street battles between riot police and ethnic Albanians demanding more self-rule subsided after the military was sent in to keep order last Thursday. But riot police were out in strength in Pristina, the provincial capital, as mourners marched through the streets.

In nearby Podujevo, 10,000 mourners gathered at the grave of a demonstrator killed in rioting last March. An army patrol, backed by four tanks, kept watch.

Kosovo, controlled by neighbouring Serbia, has for decades been plagued by tension between its 1.7m mostly Moslem ethnic Albanians and 200,000 Christian Serbs.

Political feuding among the country's six republics and two provinces has posed the biggest threat to Yugoslavian national unity since World War Two.

Serbia maintains the ethnic Albanians want Kosovo granted the status of a seventh full republic.

DAVOS ECONOMIC FORUM

Sun fails to dispel overcast global view

By William Dullforce in Davos

THE SUN has shone magnificently throughout this year's World Economic Forum but the Davos promenade has been bare of snow and the local hoteliers and ski-lift operators report a 40 per cent decline in business.

The small world of Davos *has reflected the mixed global* appraisal offered by politicians, pundits and their own pacesetters to nearly 800 entrepreneurs and bankers from 60 countries who paid SFr6,400 ($4,325) each to swop information, look for deals and test the business weather at the annual fair organised by Switzerland's Professor Klaus Schwab.

Chancellor Helmut Kohl, temporarily assuming a Sun King role, heralded a new European order for the 1990s with a re-unified Germany morticed into a security framework of reduced tension and a social system firmly based on liberal economic principles.

Political leaders of five swiftly democratising East European states confirmed their conversion to the entrepreneurial principles dear to the hearts of the businessmen and appealed to them to invest.

Nevertheless, enough sobering realities have been presented during the six-day colloquium to and stimulate prudence. The East European politicians all spoke of the need for safety nets to palliate the initial effects of their economic reforms.

An even more dour impression was left by Mr Leonid Albakin, Soviet Deputy Prime Minister, who did not disguise the urgency of stabilising during the coming year his country's the fast deteriorating economy.

The failure and possible ousting of Mr Mikhail Gorbachev were a recurrent topic at lunch and dinner tables, inevitably leading to speculation about the ability of central banks and finance ministries to handle the resultant plunge in stock markets.

Mr Raymond Barre, France's former Prime Minister, reporting on two days of closed-door discussion between the visiting politicians, academic economists and entrepreneurs, said it was premature to think of setting up any co-ordinated programme of assistance to Eastern Europe.

Firm commitments to the introduction of market economies, guarantees of the effective use of foreign capital and the establishment of "real money" through monetary reform were essential pre-conditions.

Despite the recommendation of Mr Edzard Reuter, Daimler-Benz chairman, that Western companies should start investing eastwards, business leaders echoed Mr Barre's caution.

The chairman of one large group, which has been running a joint venture in the Soviet Union for some years, said that business conditions there were currently worse. Formerly, decisions could be obtained if one knew the key man in the planning hierarchy; present efforts to devolve responsibility had so far led to indecision and chaos.

Most businessmen distinguish between the Soviet Union and the East European states, where they believe political conditions are more favourable to economic reform, but these states should not expect private investment on any significant scale before the elections most of them are due to hold this year, monetary reform and the revision of property laws.

If Eastern Europe has dominated attention in Davos this year, Western businessmen have also been reminded of persisting problems in their own backyard. The Americans have again had to listen to concern over their Administration's prevarication in tackling the budget deficit.

Speculation about the future course of the dollar is always rife in Davos. Mr Wayne Angell, Governor of the US Federal Reserve System, voicing determination to bring the US annual inflation rate down from 4.5 per cent towards zero, told exporters not to expect a soft dollar in 1990.

With President Carlos Salinas de Gortari in town, the Mexicans threw a fiesta to celebrate their debt rescheduling with commercial banks and the renewed status of their market as an objective for foreign investment.

But Mr Barre warned of the pervasiveness of the debt situation. The Argentinian and Brazilian debts still had to be dealt with and no new money was available for the poorest indebted countries, mainly African, whose problems are handled in the Paris Club.

Strikes threaten to tear apart Sweden's consensus society

The ruling Social Democrats face serious labour conflict and a catalogue of other economic woes, reports Robert Taylor

SWEDEN, envied by many foreigners for its tradition of consensus and compromise, is moving irresistibly into its worst bout of labour conflict for 10 years.

A week from today the country's buses and the Stockholm underground will shut down on indefinite strike. Child care centres will close their doors across the country forcing many working mothers to stay at home. And hospital staff who provide essential back-up services for operations are also going on strike.

These selective strikes by Sweden's biggest trade union threaten to paralyse much of the economy as thousands of other workers will be unable to get to work. The union is seeking a a 14.5 per cent pay rise for its 640,000 public service members.

Already Sweden's banking system is in the second week of a standstill, with 50,000 staff locked out by their employers. Further strikes and lockouts can be expected over the coming weeks as Sweden's powerful trade unions and the employers confront each other.

This sudden upsurge of worker discontent reflects a growing national malaise in Sweden as the economy deteriorates and confidence in the Social Democratic government ebbs.

Today Mr Ingvar Carlsson, the country's harassed Prime Minister, will meet leaders of the main trade unions and employer organisations in a fresh attempt to win support for a two-year central wage agreement designed to help restrain demand in the overheated economy. But SAF, the employers' organisation, last Friday rejected centralised bargaining. Their decision may well drive the final nail into the coffin of the Swedish Model.

Mr Kjell-Olof Feldt, the Finance Minister, seems determined to try to put the economy right with a tough package of financial measures likely to include even higher taxes on employers and workers. This is unlikely to go down well with a labour force disenchanted with steeply rising cost of transport, food and fuel. It is possible that Mr Feldt will reveal his measures tomorrow, though he has until March 7 to complete the package to present to Parliament.

There has been widespread speculation over the past week that he might be entertaining a wage and price freeze, action to cut down abuse of the sickness benefit system that has encouraged many Swedes to go on sick leave and postponement of a new law to give everybody six weeks' annual holiday.

The chief architect of Sweden's economic revival in the 1980s, Mr Feldt is said to be threatening resignation if he cannot get the support of his cabinet colleagues for tough policies. But the catalogue of woes confronting him and his colleagues is considerable, and lengthening.

These include:

- Forecasts that Sweden's balance of payments deficit this year and next will worsen. It is now expected to reach SKr40bn (£3.9bn) in 1990 and SKr55bn in 1991 from SKr30bn last year.
- A visible trade surplus set to fall from SKr20bn last year to SKr15bn next year as Sweden loses its competitive edge in world markets.
- Inflation forecast at 8 to 9 per cent for the next two years, twice the western average. Wage increases averaged 10 per cent in 1989 and are expected to rise 8.5 per cent this year and 7 per cent in 1991. Judging by the mood among workers these estimates may be far too low.
- Economic growth will be the second lowest of the 24 countries of the Organisation for Economic Co-operation and Development (OECD) at 1 per cent this year and 1.5 per cent in 1991.
- Growth in investment is expected to fall from 7 per cent last year to 0.5 per cent in 1991, while this year there will be hardly any growth at all in investment in property.
- Unit labour costs will rise on average by 6.8 per cent this year compared with an average 2.4 per cent in the OECD area.

Sweden's economic troubles are being compounded by a sharp decline in the popularity of the Government, which is undermining its authority. Last weekend the independent SIFO poll organisation recorded that in January the Social Democrats had their lowest ever share of electoral support at 34 per cent, with heavy losses among their traditional working class trade union voters as well as among the young and in the big cities.

As the crisis deepens, decisive government action seems imperative. Without it, even the recently agreed comprehensive tax reforms for next year could be endangered.

The Swedish Social Democrats have shown in the past they have the skill to pull themselves together and regain their credibility. The opposition non-Socialist parties may scent victory in next year's general election but they still lack any semblance of unity. But time may be running out for the Social Democrats. As the wave of industrial conflict gathers pace, the omens do not look good.

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EUROPEAN NEWS

Czechoslovakia presses Moscow for speedy removal of its troops

By Lionel Barber in Prague

"IVAN go home," said the makeshift wooden placard in Wenceslas Square. The crowd, around 1,000 strong, picked up the theme: "Russians go home, Russians go home," they cried, "end the occupation, end the occupation."

Miroslav Kralik, 33, his red hair spilling down the back of a denim jacket, appealed for silence. It was time for a poem, he announced, launching into "my omnipotent brothers", a self-penned satirical attack on the 75,000 Soviet troops on Czechoslovak soil.

A somewhat refined version of Kralik's message will be communicated to the Soviet Union in Moscow today when the Czechoslovaks and Soviets begin a second round of negotiations on a timetable for the Red Army's withdrawal. The first broke up last month after the Soviet delegation complained they had been surprised by "the advanced preparation" of the Czechoslovak case.

As one silver-haired bystander explained on Monday night in Wenceslas Square, the Czechoslovak people have had since 1968 – the year the Warsaw Pact crushed the Prague Spring – to ponder their case.

The new interim government and Mr Vaclav Havel, the playwright-turned-president, now want the bulk of Soviet troops out before the June elections (thus hopefully removing the threat of interference). They would like the rest out by the end of the year. The talk already is of a neutral Czechoslovakia.

This sounds premature. But Czechoslovak calls for the removal of Soviet forces – set alongside similar pressure in Hungary and Poland – underline a common challenge for Moscow and Washington: how to adjust to a Europe where the role *of Nato and the Warsaw Pact as opposing* military blocs is fast eroding.

This theme will be tackled by Mr James Baker, US Secretary of State, who arrived here yesterday for two days of talks with Mr Havel, opposition Civic Forum leaders and the interim Government. He then flies to Moscow.

Although Mr Baker will discuss US aid to Czechoslovakia, he is also due to deliver a major foreign policy address today. He is expected to outline how the West can strengthen the emerging Eastern European democracies and how they could fit into a new European economic and security order.

Mr Havel has already set out his ideas in a recently-taped interview with Barbara Walters of ABC News: "All blocs and pacts would disappear from Europe and the two superpowers would also withdraw from Europe in a dignified way."

The key word is "dignified" – how to proceed in an orderly fashion, probably in a wider European context. Last week, President George Bush took a first step by proposing deeper cuts in US and Soviet forces than currently being discussed in the conventional arms talks (CFE) in Vienna.

As one Western defence expert said here: "Bush's move should help Gorbachev because it should make it easier for him to pull Soviet troops out of Czechoslovakia."

At the moment, the Soviets are complaining about the logistical difficulties of pulling out two tank divisions and three *motor-rifle divisions within the next 12* months. They also accuse the Czechoslovaks of endangering an early CFE accord.

The view on the street suggests there could be trouble unless the Soviet Union makes a significant but real gesture before June. As one lady in a fur coat said at a demonstration outside the Soviet Hall of *Culture:* "Out with the Soviet armada – I'll be here tonight and tomorrow night."

Economic worries disturb the dream

The hammer and sickle is giving way to visions of the pick and shovel, writes Leslie Colitt, recently in Prague

THE COVER of the current issue of Dikobraz, the Prague satirical magazine, depicts a Czechoslovak citizen dreaming of a hammer and sickle as millions did back in 1948. Next to him *is* a worried citizen of the present shown contemplating a pick and shovel in his future.

Czechoslovaks are still reliving the collapse of the hardline Communist regime triggered by the student-led "velvet revolution" of last November 17. Accounts of the old regime's excesses are devoured by citizens who queue patiently for the many new muck-raking newspapers and magazines. Crowds gather throughout the day outside headquarters of Civic Forum, the opposition movement headed by Mr Vaclav Havel, the new President. Spellbound, they watch replays of November's glorious triumph on TV monitors.

An entire population, including many former Communist hangers-on, is savouring the remarkable victory in which Czechs and Slovaks threw aside their innate caution to slay the totalitarian dragon.

But what about that citizen worried about the pick and the shovel? The present transitional Government is avoiding the highly sensitive issue of economic belt-tightening and the massive redistribution of resources which will be needed if Czechoslovakia is to emerge from its present economic malaise. The elimination of the vast subsidies at the heart of the distorted economy is being left for the Government that emerges from free elections planned for June.

Mr Vaclav Klaus, the new Finance Minister, wants to cut subsidies to producers now but prefers to wait until after the election for a "legitimised" Government to slash potentially explosive consumer subsidies.

Strategists in Civic Forum are plainly worried about the alienating effect that sweeping economic reforms could have on the population. So are the new (and renovated) political parties which are vying for electoral favour among Czechoslovaks. But the tentative programmes they offer are devoid of concrete political or economic issues, sticking to a general affirmation of pluralism and the market.

Most of Civic Forum's leaders are now avowed free marketeers. But Czechoslovakia also has a long socialist and egalitarian tradition, and the majority of Civic Forum supporters are populists. They could easily come into conflict with the movement's leadership when economic austerity measures begin to bite.

Czechoslovak workers, although far more disciplined than their Polish counterparts, might rebel and Civic Forum could feel the backlash of strikes much as Solidarity has.

Yet at present there is no political alternative to Civic Forum either on the left or the right. Political life outside the opposition movement has been atomised and it could take several years for genuine democratic political structures to arise. The fast dissolving Communist party, which had 1.7m members *last year, is down to* about 300,000.

The Socialist party, a former ally of the Communists, has a new leader, Mr Jan Skoda, but is still losing members. It is considering the adoption of its pre-war name – National Socialist party (no relation to the Nazis) – in order to improve its chances. A re-established Social Democratic party could gain some support if only for sentimental reasons, but along with the other new parties suffers from a lack of strong leadership.

This leaves the conservatives. The Christian-oriented Popular party which also bears the curse of a 40-year alliance with the Communists, has a following especially in southern Moravia but this could be eroded by the newly established Christian Democrats. They are expected to win hands down in Catholic-dominated Slovakia where Christianity and nationalism are the slogans that bring victory.

Although no radical right-wing party yet exists, moderates fear that a combination of unemployment and inflation resulting from economic *reforms could engender support* for right-wing extremists. This is discounted by those who trust in the strength of Czechoslovakia's pre-war democratic traditions.

Mr Jan Urban, a prominent Civic Forum organiser, said the movement remains a "self-defence task force" which is afraid of becoming too powerful and reluctant to become a party. Others argue that it is already extremely powerful, combining the role of a shadow cabinet together with support from many government ministers and parliamentary deputies. One wing of the movement could split off to become *a party,* Mr Urban suggested, led by such Civic Forum leaders as Mr Josef Vavrousek or Dr Ivan Visera.

Mr Urban noted that most Czechoslovaks were still not asking what would come but were more concerned with mopping up the recent past. They were clamouring for the removal of hardline Communists still entrenched in every government ministry and office under the level of the minister and his deputies.

One such ministerial survi*vor with whom I did battle for* years flashed a broad grin at me during a recent government reception, as if to say that he had managed to pull off an astonishing conversion to democratic convictions.

Elation lingers on the streets of Prague, but the country's economic realities have still to be faced

OVERSEAS NEWS

Peking relaxes anti-UK stance

By Our Foreign Staff

CHINA'S leadership yesterday softened its hard line towards Britain, displayed since Hong Kong gave support last summer to dissidents in Peking, by saying China attached importance to Sino-British relations and hoped they would develop on the basis of equality and mutual benefit.

Li Peng, China's hard-line premier, was speaking in Peking to Lord Sharp, president of the Sino-British Trade Council. Their meeting was given prominent coverage on Chinese television.

Lord Sharp's visit was connected only with trade, but it is likely China sees him as an emissary who could be persuaded to work for the reactivation of the British government's £300m soft loan, suspended after the massacre of democracy protesters in Peking last June.

Li's remarks were in sharp contrast to earlier Chinese statements accusing Britain of allowing Hong Kong to be used as a base for subversion. Peking has also attacked London for plans to give 225,000 Hong Kong people right of residence in Britain.

Li reiterated China's policy of allowing "one country, two systems", under which Hong *Kong would keep its capitalist* system for at least 50 years after 1997, but said that for the territory's "stability and prosperity", the support of mainland China was "inseparable."

Austerity policy runs into trouble

By Our Foreign Staff

CHINA'S current austerity policy could collapse unless state-run enterprises improve their performance, Peking's China Daily newspaper said yesterday.

The policy, imposed by conservatives in the leadership in autumn 1988 to curb inflation and get independent managers back under control, is failing to produce results and may bring trouble for Li Peng, the hard-line premier and his supporters.

Disputes over how best to *run the economy are currently* raging in Peking and there have been unconfirmed reports that Premier Li may be moved to a less sensitive job.

Last year state enterprises fell further into debt as bad planning and low efficiency *depressed profits, with 19 per* cent of them showing a deficit, in contrast to only 13 per cent in 1988.

Government revenue stagnated as taxes and profits rose only 0.2 per cent in 1989 compared to the previous year, the *State Statistical Bureau said.*

State enterprises account for about 60 per cent of the nation's total output value, while the other 40 per cent are by and large collectively owned.

At last Hawke sees a chink of electoral light

An improving economy means a fourth term may be on the cards for Labor, reports **Chris Sherwell**

NINE months ago, a senior Labor politician was asked privately what he thought his party's chances were of winning a record fourth term at the next federal election.

"None," he replied flatly. Asked why, he answered: "Record interest rates, and exhaustion."

A few days ago, he was approached again. With an election virtually certain by *May, what did he think now?* "Until two weeks ago, I'd have said the same as before. Now I'm not so sure."

His re-think is prompted by two developments. One is the public announcement by Mr Paul Keating, the federal Treasurer, and the Reserve Bank that the government is at last easing its restrictive monetary policy.

Their delicate judgment that demand has peaked is supported by some statistical *evidence* – including better *monthly* balance of payments figures last week – and by many analysts. It also conveniently heralds a fall in politically sensitive mortgage rates from current levels of 17-18 per cent.

The other development is a *disastrous confession by the* opposition Liberal and National party coalition that, despite repeated promises over many months, its proposed reforms of the country's Medicare health system cannot be revenue neutral and must wait.

The admission that its plans will cost "between zero and A$2.6bn" (£1.25bn) is embarrassingly reminiscent of a similar counting error in the lost 1987 election campaign. Worse, it has revived doubts about the leadership of Mr Andrew Peacock, the Liberal chief reinstated in an internal party coup last year.

As if all this isn't enough, Labor has this week sought further advantage in the field of wages policy, an important electoral concern because it touches on one of the few points of difference between government and opposition.

The opposition wants to deregulate the arthritic labour market. The government has *said this will lead to chaos,* but has unexpectedly backed more enterprise-based wage bargaining. On Monday employer groups, keen to counter trade union pay plans, said they preferred Labor's existing productivity-oriented but still central*ised system.*

For Mr Bob Hawke, the Prime Minister, who has led Labor to victory in every election since 1983, the past fortnight's turn of events cannot have come at a better time. Rarely has the party suffered greater *unpopularity than in* the past few months.

Most palpably this has occurred on the issue of economic policy management. The government is still presiding over record balance of payments deficits, a surging external debt, a far worse inflation performance than its major trading partners and lamentably slow micro-economic reforms.

It has also badly mishandled vital issues – in the field of industrial relations, for example, where Mr Hawke claims an intrinsic ascendancy over the opposition, last year he needlessly inflamed the domestic pilots dispute, inflicting costly damage on the tourist industry.

Mr Hawke's chances have not been helped either by poor performances from Labor governments in Western Australia and Victoria. In addition there is the extraordinary string of collapses on the Australian *corporate scene, which is being* blamed on the government's suffocating monetary squeeze, imposed to contain the import-dominated demand generated by an upturn in world commodity prices.

The problems of companies like Bond Corporation, Qintex, Linter, Hooker and others are mostly self-inflicted. But they mean billions of dollars-worth of Australian assets are up for grabs.

Interestingly, the questions of whether external economic events are to blame, or whether recession and unemployment can be staved off until after the election, look increasingly irrelevant. The main political issue is whether *voters see Labor's economic* management as a failure, and the opposition as an alternative which can do better.

According to one top Labor strategist, the past two weeks have helped the government, but it's still not enough to *counter negative perceptions of* a tired team which has lost its grip. "Right now we'd be slaughtered in an election," he says. "We've got to wait until the last possible moment."

The hope is that the tide will turn further, that interest rates will dip more, dragging mortgage rates down with them, and that the opposition will make more mistakes. But the Labor game-planners are obviously more calculating than this.

In particular, they have perceived through opinion polls and state elections that, while support has been declining, disillusioned voters have shifted allegiance to minority parties – the Australian Democrats, environmentalists and independents – rather than the Liberal-National coalition.

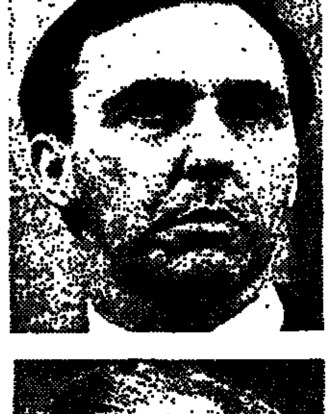
Labor has duly gone out of its way to court the Green vote, arguing not only that this distinguishes it from the opposition, but that defecting voters will still give it their support as a second preference. Labor reckons the 1990 election will depend critically on the distribution of these preferences.

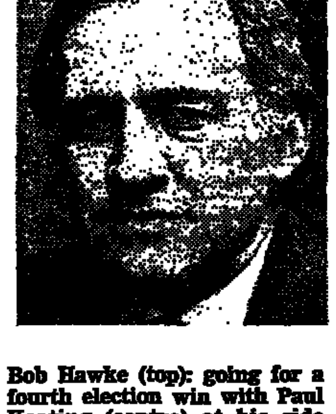
It will also depend, as in the 1987 election, on how well each party targets swinging voters in marginal constituencies. Under redrawn constituency boundaries Labor will be defending an effective majority of 18 seats in the 148-seat lower house, and could lose this with a uniform swing of only 2.6 per cent.

With everything resting on the campaign proper, each side is currently trying hard to destabilise the other by pointing to cracks in their facades of unity and uncertainties about their respective leaderships.

In a classic exchange which is a foretaste of the personalised battle ahead, Mr Peacock recently pointed to unanswered questions about 60-year-old Mr Hawke's longer-term plans and Mr Keating's leadership ambitions.

"A vote for Bob Hawke is a *vote for Paul Keating,"* he proclaimed. Mr Keating's sarcastic riposte went to the heart of the opposition's problems: "A vote for Andrew Peacock," he declared, "is a vote for Andrew Peacock."





Bob Hawke (top): going for a fourth election win with Paul Keating (centre) at his side against opposition leader Andrew Peacock

Likud split worsens over peace talks

By Hugh Carnegy in Jerusalem

MR Yitzhak Shamir, the Israeli Prime Minister, yesterday put off until next Monday a key meeting of his Likud Party that could well determine the prospects for Israeli-Palestinian peace talks.

The meeting of the party's policy-making central committee, called by Likud rebels deeply opposed to the US-backed talks proposal, was postponed from today because of the attack in Egypt on Sunday on an Israeli tourist bus in which nine Israelis were killed.

The attack has sharpened the tension surrounding the Likud meeting at which Mr Shamir will seek a simple vote of confidence to free his hands to proceed with the delicately balanced peace process.

But his opponents want specifically to rule out Palestinian demands and thus block any negotiations. They want to exclude any Palestinians deported from the occupied territories or Arab residents of Jerusalem from the Palestinian delegation. The rebels are led by three powerful cabinet ministers, Mr Ariel Sharon, Mr David Levy and Mr Yitzhak Moda'i, all of whom have barely concealed ambitions to wrest control of Likud from Mr Shamir.

Mr Avi Pazner, Mr Shamir's spokesman, said yesterday a long-awaited meeting of the Israeli and Egyptian foreign ministers with Mr James Baker, the US Secretary of State, designed to pave the way for direct Israeli-Palestinian talks could take place by the end of the month if Mr Shamir blocks the rebels.

But Mr Pazner, denying more optimistic official signals of last week, also cautioned that even if he did, obstacles to holding even the preliminary three-way talks had yet to be resolved.

Ironically, these concern the same objections as those held by the Likud rebels. There is some speculation that Mr Shamir would be willing to formulate some compromise on the Palestinian delegation if he can first consolidate his position in the party. But he has given no public hint of this to date.

Moscow agrees Jordan debt deal

JORDAN and the Soviet Union have signed a debt-rescheduling accord on payments of $214m due in 1989 and 1990, officials said yesterday, Reuter reports from Amman.

They said Moscow had agreed to reschedule payments of $168m over 12 years at 5 per cent interest, with a six-year grace period in which Amman would pay only interest.

The Soviet Union agreed to accept goods worth $42m, including rock phosphate worth $20m, to cover most of the interest and arrears due. Jordan promised to pay $4m in interest by March 15.

Independents find a space between faltering giants

Michiyo Nakamoto looks at how candidates with no party endorsement can make the running

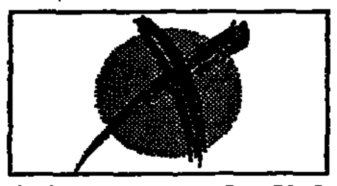
ON A cold evening in front of the provincial station of Fukiage, to the west of Tokyo, a solitary van was parked in the darkness from which a loudspeakered voice called out to passers-by to support their local candidate, Mrs Makiko Hamada.

"The time is ripe for Japan to have another party for those who support liberal-democratic views," said Mrs Hamada. "The Liberal Democratic Party has been in power for so long and is caught up in so much factional infighting that no real change can be accomplished from within."

Mrs Hamada, who has very strong views about the need to change Japanese politics, is one of a rising number of independent candidates who could become a strong force for political change in Japan. She is running for the first time in elections to the Lower House of the Diet (parliament) to be held a week on Sunday.

While Mrs Hamada has neither a political base nor a large interest group to support her, she has already become something of a phenomenon in Japan: not only is she a very pretty woman, and a graduate of Tokyo University – that most élite of institutions – she is also married to a long-time Liberal Democrat. Mr Takujiro Hamada, a former Ministry of Finance official and loyal member of the LDP, is running for a neighbouring constituency for re-election to the Lower House.

On the other side of Tokyo, in a region of mainly fishing towns and sparsely populated rural communities, Mrs Noriko



JAPANESE ELECTIONS

Kiyota, talks of the urgent need to change Japanese politics and adopt a truly democratic system. Mrs Kiyota is a lawyer who is also running as an independent candidate for a first time seat in the Lower House.

Independence has never been much of an asset in Japan's consensus-oriented, faction-ridden world of politics but in the country's recent fluid political environment, a small but significant number of candidates are winning approval precisely because of their independence.

In the past, endorsement by one or another main party was sought as an easy ticket to credibility and respectability, not to mention funds. Alternatively, failure to receive endorsement was seen as a sign that the candidate lacked influence. Furthermore, in a country where group consensus is all important, candidates who are independent to begin with have generally joined one or another party after they are elected.

This time, however, there is a clear trend among the new breed of independents, such as Mrs Hamada and Mrs Kiyota, to distance themselves from the leading parties. The extent to which almost all the main parties have been discredited by scandals and internal divisions has made their endorsement seem to some more of a liability than an asset.

Mrs Hamada has said that she will not join the LDP if she is elected but will form an alternative party of liberal democrats, unhampered by the political shenanigans of old-time LDPers. She is, however, protective of her husband who faces tough criticism over his alleged involvement in the Recruit share scandal.

Although she has accepted the recommendation of the Japan Socialist Party, Mrs Kiyota also emphasises the significance of her independent candidacy. Mrs Kiyota is not a JSP member. The JSP will help her to win a wider backing, but she feels change can be brought about more effectively from the outside. "It is important to blow a new wind into the established parties," she says. "My supporters support me because I am an independent."

Small as their numbers are and ill-equipped to compete head-on against the well-funded, campaigns of party candidates, independents, ranging from conservatives to social activists are prompting sympathetic reactions among Japan's increasingly disillusioned voters.

The scandals and widespread anger over recent LDP policies, particularly the decision to introduce a new consumption tax, have severely undermined the popularity of the ruling party. At the same time, the Japan Socialist Party, the largest opposition party, which

Mr and Mrs Hamada: liberal democrats with differing views of party

became the favoured party of the anti-LDP movement last year, has since proved itself barely capable of putting forward a viable alternative.

Many voters would agree with the sentiments of an office worker who said, "I don't know whom to vote for since I don't want the LDP to dominate Japanese politics but a socialist government would not be good for the Japanese economy."

Independent liberal democrats are talking of the possibility of liberal democracy outside the LDP while progressives are appealing to voters with a socialist bent who would not go so far as to endorse the JSP's more extreme views.

On the surface, the discontent with the LDP that led to its loss of a majority in Upper House elections last year appears to have died down. But this owes more to disillusionment with the Socialists than to a return of favour to the LDP. "The focal point for the upcoming election is how much of the anti-LDP vote will go to the progressive independents," says Mr Hajime Shinohara, professor of political science at Seikei University in Tokyo.

Mr Shinohara believes that the emergence of progressive independent candidates, mostly women, points to a possible change in the political landscape. In the past the wall between conservative and liberal was too high for an increasing number of progressive-minded conservatives voters to cross. But Mr Shinohara thinks that the quality of independent candidates has improved from the days when they were mostly well known television personalities. "This time, things could be different," he says.

Kashmiri protesters in Srinagar battled with Indian police yesterday (pictured above) in continuing demonstrations in support of Moslem demands for self-determination, Our Foreign Staff writes. About 4,000 students marched through Jammu, the winter capital of India's Jammu and Kashmir state, chanting slogans accusing Pakistan of fuelling anti-Indian unrest. Witnesses said the students marched through the main bazaar area of Jammu, accusing Pakistan of making "inaccurate statements" about a two-week revolt centred in the state's summer capital, Srinagar. At least 81 people have died in the protests, inspired by militants demanding independence for Indian-ruled Kashmir or secession to neighbouring Pakistan. On the Jammu and Kashmir state border about 400 Pakistanis demonstrated close to the spot where more than 4,000 Pakistanis tried to cross on Monday, prompting Indian troops to open fire.

TAMIL TIGERS TAKE CONTROL OF EASTERN AREA

Sri Lankan Moslems look abroad

By Mervyn de Silva in Colombo

SRI LANKA'S latest ethnic problem – the plight of the Moslem minority – promises to involve the entire international Moslem community.

The problem is in the ethnically mixed eastern part of Sri Lanka which has been merged with the Tamil-dominated northern province into a single administrative unit. As the Indian peace-keeping force withdraws the battle-hardened and well-equipped Tamil Tigers are taking full control of the province.

In the eastern sector the Tamils are the majority with Moslems comprising a third and the Sinhalese, who dominate the island, 25 per cent. The Moslems are leaving, voluntarily or involuntarily.

The Sri Lanka Moslem Congress (SLMC) has decided to "mobilise Moslem opinion internationally," according to Mr M.H. Ashraff, the party's leader. A delegation is already in Tehran for the anniversary celebrations of the Iranian revolution and will go on to visit Arab countries, including Saudi Arabia.

Representations have already been made to the ambassadors of Pakistan, Indonesia, Bangladesh, Malaysia, Iran, Iraq, Egypt and Libya in Colombo, together with the Palestine Liberation Organisation which was recently granted embassy status.

Asked whether the delegation would seek help with arms supply, Mr Ashraff replied angrily: "That is a foul canard spread by the Tamil Tigers."

Under the terms of the 1987 peace accord the eastern and northern provinces were merged on the understanding that after one year a referendum would enable the eastern population to say whether or not it wanted the merger dissolved. The SLMC would have recommended a vote against demerging if its demand for a third of the seats in the council had been granted. Having defied 60,000 Indian troops for two and half years, the Tigers are in no mood to share anything with anybody.

In any case, the failure of the Indian peace-keeping force to end the violence made a referendum impossible.

The northern based Tigers slipped into the east as soon as the Indians pulled out. Before they left, the Indians had trained and equipped a Tamil National Army under the guise of a police force. This TNA was controlled by the pro-Indian EPRLF Tamil group and its allies, rivals to the dominant Tigers.

Having branded the TNA "India's Contras" and "traitorous conscripts", the Tigers mercilessly mauled the TNA and then in a brilliant dawn operation, 600 Tigers surrounded and seized Batticaloa, the eastern the provincial capital, with hardly a skirmish.

The Tigers are now running the entire province, east and north, imposing taxes, extorting money from rich Moslem traders, confiscating property, introducing by-laws and kidnapping or killing Tamil opponents. The Sinhalese have fled to Sinhalese villages and towns in neighbouring provinces.

In the past three months, President Premadasa and senior ministers have had direct talks in Colombo with leading Tiger leaders but not with their commander in chief, Mr Velupillai Prabhakaran. The Tigers' leaders are always state guests, staying in five star hotels and using government helicopters.

In the past all parties formed by the Moslems, a community spread thinly on the north-west and southern coastline, have been Colombo-based. The SLMC is the first party to rise from the east, which has the largest concentration of Moslems.

Aoun gains upper hand in Christian enclave war

By Lara Marlowe in Beirut

ARMY troops under the command of General Michel Aoun appeared to be gaining the upper hand in their war for control of Lebanon's Christian enclave yesterday, one week after the general ordered the 10,000-strong Phalangist militia to disband.

The bitter fighting among Maronite Christians which followed Gen Aoun's ultimatum has seen more than 300 killed and 1,300 wounded. At stake is control over the Christian community in East Beirut and the area to the north of the capital, where Gen Aoun has been disputing the authority of President Elias Hrawi, the Syrian-sponsored leader who was elected by parliamentarians last November after the death of his predecessor in a car bombing.

Gen Aoun's men completed their takeover of seven Phalangist barracks at Dbayeh, north east of Beirut, after repeated tank and artillery assaults yesterday. The victory – the first in a week of savage urban warfare – left an arc of land across East Beirut from Dbayeh to Gen Aoun's headquarters at the former presidential palace of Baabda in the rebel general's control.

The Phalange still hold the Byblos and Kesrouan regions north of Beirut which comprise more than 60 per cent of the Christian enclave and the coastal strip of East Beirut from Dora to Qarantina and the adjacent inland residential quarter of Ashrafieh.

Conditions continued to deteriorate yesterday when Beirut's main power plant at Zouk caught fire. The electricity authority warned a hydrogen tank inside the plant could explode, destroying everything within a six-mile radius.

The French Government yesterday dispatched an aircraft to Beirut in hopes of evacuating wounded from East Beirut. Mr Bernard Kouchner, the French Secretary of State for Humanitarian Affairs, said he was very pessimistic. "In 15 years, I have never seen the city so desolate," Mr Kouchner said. "Beirut is a ghost city, a skeleton."

Malaysian estate strikers defiant

MORE THAN 3,000 Malaysian plantation labourers defied a government order to return to work and remained on strike yesterday to press demands for a monthly rather than a daily wage, the official Bernama news agency said, Reuter reports from Kuala Lumpur.

The workers from rubber and palm-oil estates in Perak state refused to go back despite appeals from their union.

Most of the union's 65,000 workers returned to work on Monday after the government referred their dispute to an industrial court. The strikers have been warned they may be expelled from the union if they continue with the strike.

ARGENTINE CURRENCY FALLS 20% IN THREE DAYS

Austral slides as Menem fails to restore confidence

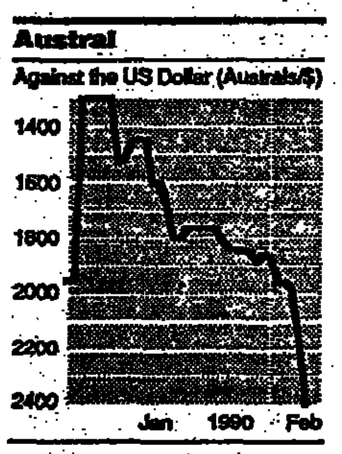
By Gary Mead in Buenos Aires

ARGENTINA'S currency, the austral, yesterday slumped to 2,500 to the US dollar, sweeping aside lingering hopes that President Carlos Menem's Government had recovered some public confidence through a series of emergency economic measures over the last two months.

The austral closed trading last Friday at fractionally less than 2,000 to the dollar; a depreciation of more than 20 per cent in three days is the most immediate indication of lost credibility in the Government.

The austral's unswerving depreciation – one year ago it traded at 17 australs to the dollar – is largely due to continuing strong demand for a means to beat inflation: in Argentina, the US currency is the most liquid form of stored value. Expectations are that January's rate of inflation, approximately 80 per cent, is now likely to be matched by February's, which was heading for 30 per cent prior to yesterday's fall in the austral.

All government price controls were removed before Christmas. Small retailers as well as large manufacturers, no matter what their import costs might be, peg their prices to shifts in the austral's exchange rate. February's prices – already set to rise as a result of newly imposed value added tax rates of 13 per cent, and public sector tariff increases of between 38 and 125 per cent – are now a matter of guesswork.



While the underlying reason for the austral's further collapse is general lack of confidence in the Government, the consequences for the Menem Administration could be severe.

The inflationary effect of the exchange rate shift will spur further trade union pressure for an immediate general increase in wages; public sector tariffs will once more fall behind, so that nationalised industries again have to appeal to the treasury for support; and the Government will be tempted to print more banknotes, as other forms of acquiring public indebtedness have dried up.

The irony of a Peronist government bringing about an accelerating demand for a stable repository of value – the US dollar – will not be lost on those who recall General Peron once ridiculing the yearning for dollars by shouting to a mass rally: "Who has ever seen a dollar anyway?".

Nor are those who took seriously Mr Egidio Ianella's remark, during his month's stay as central bank governor last November, that "if you have a dollar, sell it", feeling overjoyed.

Washington renews free market pledge

By Peter Riddell, US Editor, in Washington

A STRONG commitment to free markets and free trade by the Bush Administration is contained in the annual Economic Report of the President published yesterday.

In the fullest statement so far of the Administration's broad economic philosophy, the report rejects calls for industrial policy and protectionism.

In his introduction, President George Bush says he remains "strongly opposed to any sort of industrial policy, in which the government, not the market, would pick winners and losers. Second-guessing the market is the way to raise government spending and taxes, not living standards".

In the main body of the report, written by Mr Michael Boskin, the chairman of the Council of Economic Advisers and his staff, the argument is developed that federal policy should encourage investment but not second-guess private market judgements about its composition and direction.

Apart from the right blend of macro-economic policies, the report stresses the need for tax policies that retain low marginal rates; restore the capital gains tax differential (relative to income tax) and reduce the double taxation of corporate equity earnings.

The Treasury is due this spring to produce a study of how to deal with the double taxation problem produced by the taxation of income from capital at both the corporate and individual shareholder levels. The report says this raises the cost of capital to US corporations; reducing combined taxes on equity earnings such as dividends and capital gains will therefore reduce this restraint on investment.

The report stresses the advantages of foreign direct investment in the US and the desirability of continuing an open policy of nondiscriminatory treatment. "Restricting foreign investment in the US would weaken the economy. The Administration is pursuing the constructive approach to working to remove formal and informal barriers to international investment throughout the world."

By contrast with this non-interventionist approach to industry, the report stresses a key role for the federal government in supporting basic research - accounting for 11 per cent of national research and development spending.

In its international section, the report says that the creation of the single European market by 1992 "represents important potential opportunities and benefits for US firms and consumers as well as for those in the EC".

While noting that concerns that economic integration will lead to "Fortress Europe" appear to be exaggerated, the report calls for continued monitoring of the risk that other countries' access may be restricted.

Both the President and his economic advisers support continued co-ordinated intervention by the Group of Seven leading industrial countries.

Support for Fed goal on inflation

By Peter Riddell

CHANGING public expectations about inflation will be difficult and moving towards price stability may involve large costs in lost output, Mr Gerald Corrigan, the president of the Federal Reserve Bank of New York, warned yesterday.

Mr Corrigan was one of four Fed regional bank presidents testifying to a Congressional committee in support of a proposal by Democratic Representative Stephen Neal that the Fed should adopt the formal aim of eliminating inflation over the next five years so that it is no longer a factor in business or individual decisions.

Mr Alan Greenspan, chairman of the Fed, has already supported the plan and Mr Robert Forrestal, the Atlanta bank president, said the bank presidents as a group support its goals and believe "it could provide clear legislative intent that inflation be eliminated over the next several years and that price stability be maintained thereafter."

However, Mr Forrestal noted that there is "some range of opinion about the costs that might occur during the move to price stability." Some presidents believe the effort would raise the risk of recession.

Mr Corrigan said he was "not at all sure the public would immediately and fully adjust their expectations in a major way so long as perceptions about our national economic imbalances in areas such as the budget deficit remain unchanged."

Bush seeks backing on defence spending

PRESIDENT George Bush headed West yesterday on a trip aimed at boosting support within the US for his approach to streamlining the Defence Department, Our Foreign Staff reports.

He plans appearances at fund-raisers for Republican candidates in California, Nebraska and Ohio during his three-day trip.

The San Francisco Bay area is home to five of the facilities on a list of possible military base closures or cuts disclosed when Mr Bush sent Congress his proposed $292bn defence budget for 1991.

Today he will visit Livermore Laboratory, the nerve-centre of Star Wars, the Strategic Defence Initiative, and make a speech on defence policy in San Francisco before visiting Strategic Air Command headquarters in Omaha, Nebraska, tomorrow.

Mr Bush says his budget offers a chance to "restructure America's defences" in the wake of the revolutionary shift toward democracy in Eastern Europe.

But it has come under attack from Democrats in Congress. The US Administration's defence budget fails "to match the new political realities at home or abroad," Mr Les Aspin, the Democrat chairman of the House of Representatives Armed Services Committee, charged yesterday.

'Unfriendly' to Japan

Americans increasingly express negative views of Japan according to a New York Times/CBS poll, AP reports from New York.

Sixty-seven per cent of the 1,557 Americans polled still say they have generally friendly feelings toward Japan.

But a quarter of Americans now say their feelings about Japan are "generally unfriendly," up from 19 per cent last June and 8 per cent in 1985.

The increase comes after several years in which friendly opinion was essentially stable, the NYT said.

Chemical exports move

Federal drug officials are trying to block exports of certain chemicals to 52 Latin American companies because the solvents are being used to process cocaine, AP reports from Los Angeles.

The solvents include methyl ethyl ketone, manufactured primarily by Exxon and Shell Oil, the Los Angeles Times newspaper reported.

The move was authorised under new legislation and targets about one in five of the companies that were regular importers of US industrial solvents. The 52 companies were among 288 described as "regular customers" for exports, and US officials said many were fronts for Colombian drug cartels.

Giving the other lot a go in Costa Rican politics

Tim Coone concludes that voters appear to have opted for a change rather than a difference

SOME Costa Ricans begin voting when they are still toddlers. Their votes do not form part of the official results until they are 18 years old, of course, but the children's election held on Sunday simultaneously with the general elections has become a tradition in Costa Rica.

"It is a way of educating them about democracy," said one proud parent at a children's polling station in the capital.

Her son, Jorge, a six-year-old sporting a Batman tee-shirt, placed his thumbprint on his ballot paper firmly over the space for the main opposition candidate, Mr Rafael Calderón. When asked the reason for his choice he glanced at his mother and replied: "Because the others have already been in twice."

For the ruling National Liberation Party (PLN) this seems to have been a principal reason for their narrow defeat on Sunday by the opposition Social Christian Unity Party (PUSC). There is little to choose between the two parties which have come to dominate Costa Rica's political scene.

A 30-year-old welder who had travelled several hundred miles to the capital to cast his vote shared Jorge's view. "Both parties are more or less the same, but the Liberationists have been in for eight years now and it is time for a change."

The change however is not what most people have been expecting. Mr Calderón's election campaign promised more welfare and income redistribution. But when he takes office in May he will have to confront some pressing economic problems.

Under President Oscar Arias, the Costa Rican economy has enjoyed an average 4 per cent growth a year, sustained by heavy borrowing at home and abroad. According to Dr Carlos Hernandez, the executive director of the central bank, the fiscal deficit would be the biggest problem facing the next government. "Spending is outstripping income. The internal debt is now very very high," he said.

In recent years the deficit has been increasingly financed by short-term government paper placed on the local stock market at high interest rates to attract takers. As the bonds come to maturity new paper is issued to replace the old and to pay the interest. Servicing this debt is now absorbing almost 10 per cent of government revenue a year.

The 'Ticos' are even a little smug about the stability of their political system when it is compared with others in Central America

Mr Calderón will face difficult choices between rationalising state-run enterprises, public sector layoffs, and hikes in taxes and public utility tariffs if he is to correct the deficit. All such measures will be unpopular and are likely to be fought by the powerful public sector unions controlled by the PLN or the small, but influential, Communist Party.

What adds to Mr Calderón's problem is a slump in the price of coffee, Costa Rica's main export, which coincided with a 24 per cent surge in imports last year. This has put strain on the national currency reserve.

The negotiations of Costa Rica's $1.5bn commercial bank debt has still to be completed under an outline agreement reached last October. If the commercial bank creditors fail to agree on a debt buy-back scheme, which involves a minimum of 60 per cent of the debt being repurchased by Costa Rica at 16 per cent of its face value, "we will be back to square one", said Dr Hernandez. The IMF and World Bank have agreed to provide $103m to part-finance the scheme, but firm commitments of a further $150m from bilateral sources are lacking.

Foreign exchange difficulties will increase pressure for a more rapid devaluation of the colon currency, which in turn will increase inflationary pressures due to the import content of many local industries. Costa Rica's modest 10 per cent inflation rate in 1989 is not likely to last through 1990.

Such issues barely surfaced during the election campaign. None the less the "Ticos" feel pride and are even smug about the stability of their political system when compared with their Central American neighbours. Even some of the losers of Sunday's elections were still waving their flags and beeping their car horns on the streets yesterday, joining in the celebration of Mr Calderón's supporters.

Costa Rica's 1990 elections have been a carnival. Their political content has been about as weighty as the candy floss on sale outside Jorge's polling station.

As an exercise in the mechanisms of democracy they have been a fine example for Costa Rica's future generations. But when the campaign promises have to be abandoned in the hard glare of economic reality, the lack of real political debate in Costa Rica may leave some voters with a sense that they have been defrauded.

Peruvian premier calls on US to spend more on war against drugs

By Sally Bowen in Lima

THE US must provide more aid to fight the drugs trade, President Alan Garcia of Peru said on Monday.

He contrasted the $100bn which he said the US spends each year on cocaine consumption with the $9m he says the Americans currently devote to a system in crop substitution programmes in the Huallaga Valley. "There is no correlation between the size of the problem and what the United States as the country primarily responsible for cocaine consumption has been offering," he said. He rejected "hawkish suggestions of a purely military solution to the problem".

Mr Garcia has confirmed that he will attend the forthcoming international drugs summit in Cartagena, Colombia. He had previously declined to participate in the February 15 summit after US intervention in Panama.

But he said last week that he had changed his opinion, "in view of President Bush's announcement that all troops will be withdrawn from Panama before the end of February and Vice President Quayle's announcement that there will be a plebiscite for elections to legitimise the present Panamanian government."

The participants will be President George Bush, President Jaime Paz Zamora of Bolivia and Colombia's President Virgilio Barco.

Peru produces an estimated 60 per cent of the raw coca leaf which ends up on the streets of North America. Mr Garcia said that the illegal crop earns Peru more than its copper and silver exports.

Garcia: will attend summit

Collor: in London today

Collor stands to benefit from tour

By Ivo Dawnay in São Paulo

BRAZIL'S President-elect, Mr Fernando Collor de Mello, is reaping a substantial political harvest at home from his 20-day world tour of nine industrialised countries, due to end this weekend.

Most Brazilian commentators now agree that the trip by Mr Collor, who is due to arrive in London today, has more than simply raised the 40-year-old former state governor's prestige. At first, however, it was viewed critically.

The tour has served to prepare the public and Congress for what is expected to be a controversial package of economic reforms scheduled to be tabled soon after the March 15 inauguration.

The warm receptions given to Mr Collor's proposals, which include fiscal reform, privatisation and a big reduction in protectionism, have been recorded in detail by the Brazilian media.

Not least, President George Bush's invitation to an unscheduled informal supper in the White House's private quarters and President Mikhail Gorbachev's description of his plans as "Brazilian perestroika" have bolstered national pride and muzzled critics.

He has also been well received by politicians and businessmen in Japan, West Germany, Italy and France, where he was scheduled to lunch with President François Mitterrand yesterday.

In the UK Mr Collor will hold talks with Mrs Margaret Thatcher, the Prime Minister, who – aside from being a big source of inspiration – helped his presidential campaign last year by agreeing to seeing him before balloting.

As elsewhere, Mr Collor will seek the endorsement of his economic strategy, encouragement of new investment in Brazil and a liberal response to the country's foreign debt problems. Mrs Thatcher is unlikely to give much ground on the latter, however, being among the most hardline of Brazil's foreign creditors.

Brasilia analysts predict that he will win a comfortable majority for his programme in Congress on taking office.

WORLD TRADE NEWS

Italy angered by slow progress in hormones row

By Tim Dickson in Brussels

THE transatlantic hormones dispute – diet of many an EC foreign ministers meeting until events in eastern Europe captured the attention – is again causing indigestion in Brussels.

Several member states – notably Italy – expressed growing frustration this week at the snail-like progress which has been made to defuse the bitter row and reduce the disruptive effect of Washington's tit-for-tat sanctions.

No new initiatives have yet been proposed but the European Commission was left in little doubt after Monday's Foreign Affairs Council that new efforts to break the 13 month deadlock are most urgently required.

Tensions over the issue within the EC have been exacerbated by punitive American tariffs on almost $100m of European food products – the response to a blanket EC ban on hormone treated meat from the US which took effect on at the begining of January last year.

Brussels cites consumer fears and the democratic wishes of the European Parliament to justify its stand – but the Americans continue to insist that there is no scientific basis for the Community's action and that it is contrary to the fundamental principles of international trade.

Hopes were raised in the middle of last year when technical experts got together to try to find new ways of certifying imports of high quality, hormone-free US meat and thus to scale down the size of US retaliation.

Results, however, have so far been negligible – around $4m has been shaved off the $100m at stake – and it is clear that from the US point of view this "solution" does not go to the heart of the dispute.

Italy's frustration – which burst out on Monday in the form of a threat by Mr Renato Ruggiero, its Foreign Minister, to highlight Brussels' apparent paralysis by taking the European Commission to the European Court of Justice – stems from the fact that the US sanctions are causing grave hardship for the country's tomato exporters.

The Commission, meanwhile, complains that there is no ready consensus within the EC Council on an alternative plan.

The long-standing option of a disputes panel in the General Agreement on Tariffs and Trade (Gatt) is complicated because some countries want it simply to consider the legality of US retaliation, others are happy for it to tackle the legal and trade questions raised by the EC's ban.

Washington, on the other hand, refuses to contemplate a panel unless it deals directly with the scientific merits of the case(where the Americans are convinced they are on strong ground).

West Germany and Denmark have been the most hostile to this idea – but some member states such as Britain believe that the scientific dimension will be hard to avoid and that the Commission must quickly propose new ideas.

Hills has hands full ahead of US-Soviet summit

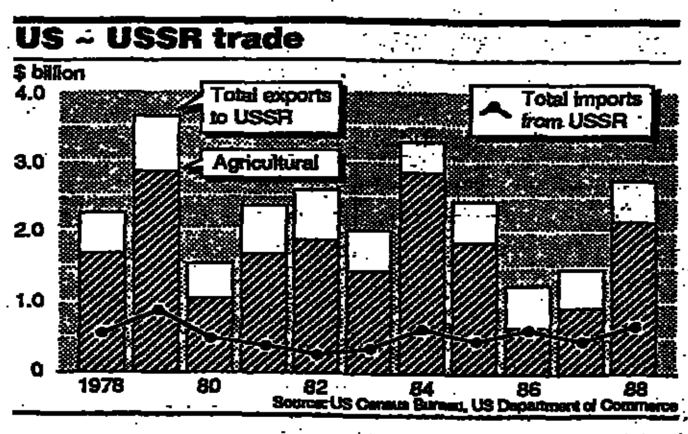
The Trade Representative takes firm control to catch East Bloc's tide of change, writes Nancy Dunne

MRS CARLA HILLS, US Trade Representative, has taken firm control of numerous trade negotiations designed to help the Bush Administration catch the tide of change in Eastern Europe. Her agency is stretched to its limits negotiating market access accords; trade complaints and the Gatt Uruguay Round on liberalising global trade. She has also been given the leading role by President Bush in talks aimed at producing a trade pact with the Soviet Union in time for his June summit with President Mikhail Gorbachev.

This has not been made easier by battles between various agencies over which would lead the talks. The Commerce Department had been expected to take the lead, as in 1973. Squabbling also broke on which issues would be covered in the pact – whether or not to alter trade laws governing imports from non-market economies, and the law governing Congress' role in ratifying and implementing trade agreements.

Mrs Hills sought public comments on the impact of the lowered tariffs to be granted the Soviet Union under Most-Favoured-Nation (MFN) status and the elements to be included in trade and investment accords. A Soviet delegation is expected in Washington on Friday for initial talks. Under the terms of MFN in its trade agreements, the US includes a clause binding contracting governments to confer on each other all the most favourable trade concessions either may grant to any other country subsequent to the signing. Mrs Hills has also begun co-ordinating trade and investment initiatives for the rest of Eastern Europe. A Polish delegation is expected in Washington next week for talks on a business and economic agreement. Polish inclusion in the Generalised System of Preferences for developing countries was instituted last month, and the US plans visits to three Polish cities to push the programme.

US – USSR trade



Source: US Census Bureau, US Department of Commerce

Talks on a business and economic accord are in hand with Hungary. Talks with Czechoslovakia and East Germany await a decision by President Bush on waiving the Jackson-Vanik amendment linking trade with emigration. Romania's request to re-establish its MFN status is being reviewed by the inter-agency trade policy sub-committee, and Bulgaria's proposed Accession to Gatt is being examined.

Congress has been preparing for trade normalisation with Moscow. In three days' hearings, the House Ways and Means committee heard US industry urging trade ties going beyond the simple granting of MFN. (US-Soviet trade has been growing, but is still below the $4.5bn peak reached in 1979). Several witnesses said that if the US were to compete on equal footing with the EC in the East European market, all trade credit curbs should be lifted and the export control system made rational.

Miss Sarah Carey, a Washington trade lawyer, described as a "de minimis position" Mr Bush's offer to grant MFN, trade credits and observer status at Gatt, to create a framework for long-term US-Soviet trade links. Congress, she said, should repeal the Jackson-Vanik amendment and recognise "the reality of today's relationship with the USSR and collapse of the 'Eastern Bloc'". She proposed abolishing all unilateral export controls; liberalising travel and residency requirements for Soviet businessmen; setting up new US commercial offices outside Moscow; an office to co-ordinate providing technical aid to the Soviet and East European economies.

Mr Charles Hugel, National Foreign Trade Council chairman, warned competition for Soviet markets was intense and the US lagged behind its competitors. Moscow spent $5.8bn on capital equipment and machinery in 1987, with the US share 2.3 per cent. A trade pact should address practical problems US companies meet in the Soviet Union, including solving the rouble convertibility dilemma; a formula for repatriating earnings; a co-ordinating agency for foreign companies in Moscow; a Soviet pledge to let companies set up their own communications; a Soviet pledge to make space available for offices.

Mr John Murphy, representing the US Chamber of Commerce, urged the US Export-Import bank begin developing programmes for Eastern Europe and the Soviet Union immediately. US anti-dumping laws for non-market economies must be reviewed, he said. "The US is witnessing a convergence of its foreign policy, security and economic interests. The diplomacy of the past must be pushed aside for a comprehensive long-term policy towards Moscow and Eastern Europe."

Eximbank spreads its lending wings

THE US Export-Import Bank, moving aggressively into the foreign economic policy arena, has resumed lending to China, launched operations in Eastern Europe, and pledged a lead in helping rebuild Panama, Nancy Dunne reports from Washington.

It has begun a programme to underwrite hundreds of millions of dollars of trade financing to Mexico. As its first China loan since the Tiananmen crisis last June, Eximbank last week authorised a $9.75m loan to the China National Offshore Oil Corporation. It defended the loan as consistent with President Bush's policy to maintain ties with China.

Despite a shrinking budget for direct loans – $500m was proposed for fiscal 1991 – the agency is fully using its $10bn export credit guarantee authority. In Mexico, it will back loans packaged by Mexico's Banco Nacional de Comercio Exterior and funded in the US capital markets by a US bank.

It has approved the first package – $95m in loans – granting an 85 per cent guarantee. Officials believe the programme could total as much as $500m this year. In Eastern Europe, the Bank is launching a $200m short-term credit programme and considering deals for Hungary, including financing communications equipment and aircraft sales. Short-term financing is expected in Panama soon.

Eximbank has set up a $4.8bn loan loss reserve, which increased its negative equity on paper to $4bn, last September. The reserve apparently will have no practical effect on the agency's operations. But the change is deemed "appropriate" in reflecting changes in accounting treatment of sovereign risk debt in the financial community.

Italy to resume cover for shipments to China

By John Wyles in Rome

SACE, Italy's export credits guarantee agency, has decided to resume insurance cover for shipments to China after a pause of more than six months imposed in the wake of the massacre of students in Tienanmen Square.

The organisation, which is a department of the Italian Treasury, argues that it is merely in line with a growing international thaw in attitudes towards Peking which is gradually leading to a resumption of commercial ties.

Mr Roberto Ruberti, SACE's director-general, said yesterday that the lifting of martial law in China has been an important influence on Rome as it had been for other European credit agencies restoring their lines with China.

Initially, the Italian relaxation is to be a cautious one since the insurance cover is short term (up to two years) and concerns only three contracts for consumer goods and machinery worth L50bn.

The Italian Foreign Ministry is also considering resuming discussions with Peking on a number of projects which had emerged before the European Community blocked the signing of new contracts at the Madrid summit last June. Italy is thought to have been the sixth largest exporter to China last year after an important 39.7 per cent leap in shipments in the first nine months to reach a total of nearly L2,000bn.

Matsushita to sell US EPROMs

MATSUSHITA Electric Industrial, the Japanese consumer electronics maker, plans to market "erasable programmable read-only memory" (EPROM) chips made by Intel Corp of the US, in a bid to lessen bilateral friction in semiconductor trade, it said yesterday, Robert Thomson reports.

Matsushita said the deal would complement an existing agreement between the two companies to make microprocessors, and responds to US criticism of the market share of foreign chips in Japan. A semiconductor pact was signed in 1986, which, US officials say, is supposed to have set a 20 per cent target for foreign share by 1991, but Japanese officials deny this.

Foreign share has risen from 8.6 per cent in 1986 to about 12 per cent now.

Sales of imported cars up in Japan

By Robert Thomson in Tokyo

SALES of imported cars in Japan rose 57.6 per cent in January, compared to the same month last year, an increase coinciding with intensified US government criticism of supposed import restrictions on automobiles.

The Japan Automobile Importers' Association said that sales of imported cars for the month totalled 11,350 vehicles, around 4.5 per cent of the total market, while total car sales for the month are believed to have increased by 35 per cent.

Part of the surge is explained by a slowdown in purchases during the same month last year in expectation of a cut in taxes on automobiles.

But most European makers reported stronger than expected rises in sales.

Volkswagen, the market leader among foreign makers, reported a 33.1 per cent increase in sales to 2,858 units.

Mercedes-Benz had a 91.6 per cent increase to 2,376 units, and BMW reported a 31.8 per cent increase to 1,842 units.

Mr Peter Woods, president of Rover Japan, said the company's sales rose 140 per cent over January of last year to about 1,100 units.

He described the market in Japan for the company's cars as a "virtuous circle", with sales for all of last year increasing by 36.5 per cent.

Rover's sales last year were slightly under the combined sales of the US makers GM, Ford and Chrysler.

The latter two sold just over 14,000 units and had a market share of just below 8 per cent.

Mr Robert Mosbacher, the US Commerce Secretary, has condemned Japan for restricting sales of foreign cars, particularly US vehicles.

US makers have suggested that action be taken against Japanese manufacturers if market share in Japan remains flat.

In an apparent move to ease trade tension, Honda, the Japanese automaker, is reported to be considering a deal to market Chrysler utility vehicles in Japan.

Chrysler has been among the harshest US critics of Japan's allegedly unfair trading practices.

Qatar in deadlock over aluminium smelter

By Hunter Reynolds in Doha

QATAR said yesterday it was approaching alternative investors for a planned $1.25bn aluminium smelter following an apparent deadlock in negotiations with Davy McKee, the UK contractor.

"New contacts are being made with new potential investors in Europe and the Pacific who have expressed interest in this project," Mr Ahmed Mohammed Ali Al-Subaie, Qatar's Minister of Industry and Public Works, said. Interested parties are known to include Ferrostahl of West Germany and Norsk Hydro.

Last October, Davy McKee, part of Davy Corporation, signed a memorandum of understanding with the Qatari Government to lead the development of a 198,000 tonnes per year aluminium plant and associated power and water desalination plant. The project was to have generated power using natural gas from Qatar's giant North field. The memorandum expired in January with both sides having failed to agree on final details.

The minister said that due to the deadlock, the project will be delayed by six months, and the plant is now expected to come on-stream in early 1993. It is the second time that Qatar has signed and subsequently dropped a preliminary agreement for an aluminium smelter. Mr Al-Subaie said that Qatar remains keen to go ahead with the smelter.

A spokesman for Davy McKee said that attempts are being made to salvage the deal, but he gave no details. The British company has asked for an extension of the memorandum. A final costing of the project is being prepared.

Industry observers say the deal fell through after failure to agree on a price for the gas. "Davy McKee lost credibility with the Government when they repeatedly downgraded the price they were prepared to pay for the gas," one analyst said.

Qatar has been demanding $1 per million Btu for its forthcoming gas sales from the North field. Qatari officials hinted that the Government was unhappy with the lack of details in the costings presented by Davy McKee.

E Germany plans to integrate into Europe's business life

By Peter Marsh in London

EAST GERMANY plans to integrate itself fully into Europe's business life following the dismantling of European Community trade barriers after 1992, one of the country's political leaders said yesterday.

Mr Christian Meyer, East Germany's Deputy Minister for Foreign Trade, said in London that following planned political reforms the nation would unleash "a tidal wave" of small and medium sized private businesses, which would compete throughout Europe.

Mr Meyer was speaking at a Confederation of British Industry reception to mark the start of a five-day tour of Britain by a delegation of East German business leaders.

The 20-strong delegation represents one of the most powerful groups of East European industry chiefs to visit the west since political changes started east of the Elbe last year.

Members of the delegation, which includes the heads of state-owned companies involved in areas such as construction, engineering, lighting and medical-equipment, will be visiting about 50 UK companies.

They will discuss joint ventures and other commercial deals with a number of large UK groups including Imperial Chemical Industries, Royal Dutch/Shell, SmithKline Beecham, Glaxo, ABV, Cadbury-Schweppes and Vickers.

Mr Meyer said that East Germany had specific skills to offer the West in industrial fields such as machine tools, glass and ceramics, textile machinery and scientific equipment.

The country was responsible for only about 1 per cent of world trade, as opposed to 10 per cent in the case of West Germany. "This is not enough," Mr Meyer said.

The past failing in trade stemmed from the country's desire to be near-autonomous in many areas of industry, a policy that had now changed.

Mr Meyer said there would be specific business opportunities in Britain.

Direct trade in manufactured goods between the two countries amounts to about £250m a year, £150m of this is exports from East Germany.

Legislative shortcomings in post-Big Bang era lead to calls for reform

By Robert Rice, Legal Correspondent

Mr *Nicholas* Ridley, *Trade* and Industry Secretary, faces stern questioning from the Commons Trade and Industry Committee today over the Government's resolve to tackle insider dealing.

The failure of a number of recent prosecutions has heightened pressure on the Government to re-examine the investigation and prosecution of this white-collar crime.

Many believe the Company Securities (Insider Dealing) Act 1985 has missed its target — and that a single body should take over the powers of the Stock Exchange, DTI and Crown Prosecution Service. FT writers examine the controversy over the law and its enforcement

IT IS now 10 years since insider dealing became illegal under the 1980 Companies Act. In that time, 26 people have been prosecuted for alleged trading on unpublished price sensitive information. Only 11 have been convicted.

In the *City it is widely* believed the Government has hardly scratched the surface of the issue. They point to the frequent movement of share prices in advance of the announcement *of big takeovers* and mergers as evidence of insider dealing taking place on a widespread scale.

The legislation introduced to create the open and fair market so *central to the* Government's plans of widening the base of the shareholding democracy stands condemned as a failure.

Before 1985, when the Companies *Act* 1980 legislation was consolidated into the Company Securities (Insider Dealing) Act, 10 individuals had been prosecuted. Of those, six were convicted, three having pleaded guilty. Fines ranged from £800 to £4,000 and there was one absolute discharge.

Of the 16 people prosecuted under the 1985 Act only six were convicted, and one was overturned on appeal. Four of the six pleaded guilty. The cases against three were abandoned and in two other cases judges ruled there was no case to answer.

Fines have ranged from £1,000 to the £25,000 given to Mr Geoffrey Collier, who pleaded guilty in July 1987 to two charges of insider dealing. Mr Collier also received a 12-month suspended prison sentence and was ordered to pay £7,000 of prosecution costs.

All but one of the prosecutions have been against secondary insiders. *The one* alleged primary insider, Mr John Cross, had his conviction overturned on appeal. It is not a good record.

Mr Nicholas Ridley, the *Trade and Industry Secretary*, can expect to hear, when he is questioned by the Commons Trade and Industry Committee today, that legislation designed to meet the conditions of the securities market in 1980 is inappropriate in the post-Big Bang era with computerisation of the market, dealing on screen and the concentration of market making in the hands of a few big banking houses.

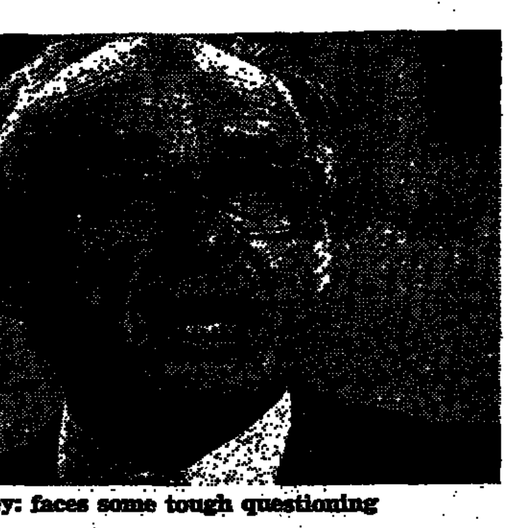
He will be asked about the Government's attitude to allegations that the law is too complex and imprecise, and that the courts have shown themselves incapable of developing a sophisticated case law to tackle the shortcomings in the legislation.

It is argued that the failure of the legislation to provide for civil remedies as well as criminal sanctions has greatly reduced the chances of dealing with and deterring insiders, and that the multi-agency approach, split between the Crown Prosecution Service, the Department of Trade and Industry and the Stock Exchange towards the investigation and prosecution of insider dealing is contributing to, rather than preventing, insiders slipping through the net. He is likely to be left in no doubt that the time has arrived to do something about it.

The 1985 Act is short but complex. Broadly it makes it illegal for individuals to trade in securities on a recognised stock exchange on the basis of inside information; to recommend or procure others to trade on the basis of inside information; and to disclose inside information improperly knowing that such a disclosure would, or would be likely to, lead to insider dealing.

The act does not try to impose criminal penalties if the individual concerned did not realise that the information he had was inside information.

For information to constitute inside or "unpublished, price-sensitive" information, it must relate to specific matters relating or of concern, directly or indirectly, to the company whose securities are dealt in and not of a general nature; it must not be generally known to those persons accustomed or likely to deal in the company's securities; it must be likely materially to affect the price of the securities; and it must be information which it would be reasonable to expect the primary insider or individual connected with the company not to disclose except for the proper performance of his functions.



Nicholas Ridley: faces some tough questioning

The present law covers both individuals who are primary insiders and secondary insiders or "tippees." The law does not cover companies as such.

Primary insiders are broadly individuals who have inside information because of their position or connection with the company concerned either as directors or directors of related companies, officers and employees or professional advisers, such as auditors. Shareholders of the company are also generally thought to be treated by the law as primary insiders.

Secondary insiders or tippees are individuals who know they have received inside information, either directly or indirectly from primary insiders.

The penalties for insider dealing are, for conviction in the Crown Court, up to seven years imprisonment (increased from two years by the 1988 Criminal Justice Act) and/or an unlimited fine. Prosecutions may only be instigated by the Trade and Industry Secretary or by the Director of Public Prosecutions (and now in some cases by the Stock Exchange).

The act does not provide for civil remedies for companies and outsiders who suffer loss as a result of insider dealing.

The Government is currently reviewing the law on insider dealing in the light of the EC Insider Dealing Directive adopted by the Council of Ministers last November. Although the directive is a minimum standards measure it will necessitate some amendments to the UK legislation (extending the definition of "securities" for example). The growing call for a review of the law stems partly from the failure of the courts to deal adequately with insider dealing.

As most cases are dealt with at Crown Court level, many lawyers believe a sophisticated case law is unlikely to develop. The alternative therefore must be to tighten and simplify the existing legislation. That will include simpler and in some instances more specific definitions of inside information and primary insider, for example.

There is also a growing demand, fuelled by the small number of prosecutions, fewer convictions and the better success rate achieved in the US by use of a mixture of criminal and civil law for the Government to reconsider the issue of statutory civil remedies.

When *statutory* regulation of insider dealing came in, in 1980, the Government excluded civil remedies as inappropriate, largely, it seems, because of the difficulties posed in identifying plaintiffs who could show loss, and a desire not to hand windfall profits to companies whose directors had made a profit by trading on inside information.

The Government's position appears to be however that although there is no explicit civil remedy it is still possible in some cases *for* an action to be brought against an insider for fraudulent misrepresentation, or by the company against a director for breach of fiduciary duty or to enforce a duty to account to the company for the profits of the illegal deal. That, it says, is sufficient to justify leaving the law on civil remedies alone.

The Government must also reassess its current multi-agency approach to the investigation and prosecution of insider dealing. A considerable body of legal and City opinion believes that until there is a co-ordinated approach to enforcement of the law it will be impossible to tackle the problem properly.

In evidence to the select committee two weeks ago Mr Michael Feltham, of the Stock Exchange surveillance unit, called for a single separate agency *to be set* up to tackle the investigation and prosecution of insiders with wide powers of arrest and search. It is a view that commands wide support. Others favour placing all the powers under one body such as the Securities and Investment Board an approach which has achieved some success in the US.

Whatever the favoured solution, the *City* appears to believe that having the CPS, the DTI and now, after the 1989 Companies Act, even the Stock Exchange instigating prosecutions is not helping in the fight to obtain a transparent and clean stock market.

STOCK EXCHANGE MEASURES

Banking on 'feel' for market as sleuths seek out hidden deals

INSIDER dealing is a bit like pinching parts off the production line at a car factory. The people who do it regard it almost as a perk of the job, a way of supplementing their income — and anyway, everyone else does it, so why not?

The difference is that it is much harder to stamp out.

That is the view of Mr Mike Feltham, who has the unenviable job of stamping out insider dealing in the London stock market. It is, he claims, the hardest crime of all to prove in court.

It is also very common. Mr Feltham's insider dealing group at the Stock Exchange examines six or seven situations each day where it suspects that insider dealing may occur — something over 1,500 times a year.

Questions designed to uncover connections between the dealer and anyone who knew about the announcement, can range widely: "Where does he bank? Where does his wife work?"

Not all those suspicions prove accurate, of course. In many other cases there is no evidence on which to launch a fuller investigation.

However, about four or five cases a week are passed forward to the group's operations division for further examination. That makes as many as 250 cases a year where the exchange sends its team of former *policemen and former tax* investigators to knock on the doors of suspects and others to try to assemble a case that would stand up in court.

Is that just the tip of a much *bigger iceberg? The exchange* claims not, and says it is aware of nine out of every ten instances of insider dealing in the market. It is impossible to prove that, *of* course. And even *if* the exchange *is aware of* what is going on, very few cases come to court.

Most potential prosecutions end either after an initial 48-hour investigation, or after a fuller investigation by the operations division, or after they have been passed to the Department of Trade and Industry, which may itself decide there is no case to answer. About half the cases that need extensive investigation are passed to the DTI, whose inspectors have further-reaching powers than the exchange.

The DTI's inspectors can force people to appear before them, to answer questions and to produce documents. A small handful of cases has percolated up to the courts so far.

Nevertheless, the detailed surveillance of the market from the Stock Exchange Tower goes on, as much to scare potential insider dealers out of the market as to catch them red-handed.

The exchange monitors the dealings that precede all price-sensitive announcements, and examines a selection of those it thinks suspicious. Its investigators rely on their experience and "feel" for the market to help them to weed out from the vast number of transactions the handful that need further examination.

"If you watch the market every day, you begin to detect *things — you get a nose for it,"* Mr Feltham says.

Bargain details are available electronically — the size and price of each deal, the brokers involved, and a client reference *that can be used to identify the* person behind the deal.

Such scrutiny is followed by a call to the broker for more information. The questions about the client can range *widely, says Mr Feltham.* "Where does he bank? Is he married? Where does his wife work?"

The questions are all designed to uncover any con*nection between the person* who dealt and anyone who would have known about the announcement before it was made.

The connection may be easy *to identify: a brother* on the board of the company, for instance. Or it may be buried in the past: the person who supplied the information and the person who dealt were at school together, once worked in the same company, and so on.

Alternatively, says Mr Feltham, "it may be that the information came through a third party who does not even appear at first — a firm of lawyers in Birmingham, or accountants in Glasgow."

Such a needle-in-a-haystack process may lead to a fuller investigation, or (more usually) to the case being dropped. All information is stored away for future use, with the insider dealing group relying on patterns emerging to identify wrongdoers (the same brokers being used, the same person dealing ahead of three or four different announcements, and so on). The resulting database,

The Stock Exchange investigators have been chosen for their interviewing skills, and for their record of achieving prosecutions based on the information they have extracted.

*which has been under con*struction since Big Bang turned share dealing electronic over three years ago, is the investigators' single biggest asset.

Its other asset is speed. "Virtually the only way you can get a case is by getting people to say something," says Mr Feltham. That is best achieved by descending on suspects and potential witnesses promptly, when there is the best chance of unsettling them and weeding out admissions or information. The investigators have been chosen for their inter*viewing skills, and for their* record of achieving prosecutions based on the information they have extracted.

Such aggressive policing tactics are the exchange's only way of prising the lid off what has become one of the most common white-collar crimes.

Richard Waters

■ **The opportunist.** Price-sensitive information often reaches him by accident: a conversation overheard in a pub, a chance comment from a friend at a dinner party. Alternatively, he has a once-in-a-lifetime involvement in a corporate transaction which will move a share price, for instance as a director of a company that is about to be sold, and is tempted by the thought of an easy gain.

The opportunist is unlikely to try to cover his tracks, *which may make him easy to catch. On the other* hand, being a one-off insider, there is no record of previous suspicious dealings, so his appearance in *the market may go unremarked unless there there* is a clear link with the price-sensitive announcement.

■ **The semi-professional.** These are the accountants, bankers and lawyers around the country whose work regularly brings them into contact with price-sensitive situations. They may have been dealing two or three times a year for many years, making this a significant part of their income over a long period.

The semi-professional is likely to deal through his regular broker, so his regular appearance in the market ahead of sensitive announcements could *eventually give him away. The Stock Exchange* believes its efforts to catch insider dealers has driven most of these people out of the market. On *the one hand, they have reputations and careers* to lose and are sophisticated enough to realise that there is a good chance they will be caught. On the other, they do not have the determination to go "underground" by disguising their dealing.

■ **The professional,** often operating as part of a ring. These are the people who go out looking for *information on which to deal. They may get it by* penetrating the security arrangements of corporate finance departments in merchant banks, or other professional firms.

They also have sophisticated ways of covering their tracks when they deal, perhaps by using nominee *accounts in overseas centres such as Switzerland*, where there is a good chance the investigators will lose the scent.

These individuals and rings are the target of most effort by the enforcement agencies, but are also the most difficult to detect and prosecute.

SHARE PRICE MOVEMENTS

Educated guesswork can lead to a sudden upsurge

THAT share prices move ahead of important company announcements, and that such movements indicate rampant insider dealing in London, are widely held views. The real picture is probably different, writes Richard Waters.

True, share prices often surge in apparent anticipation of an announcement. The most *recent example of that is the* case of Laing Properties, where the price rose from 400p in mid January to 564p ahead of Monday's announcement of a bid for the company. However, that sort of price movement often indicates rumour and informed speculation rather than insider dealing.

Mr Mike Feltham of the London Stock Exchange puts it as follows: "Some of these takeovers have 400 players, all of whom are 'on side'. They all have wives and mistresses." Inevitably people on the outside get wind that a big deal is brewing, perhaps simply by observing that one of the advisers is working late, or is seen in public with someone connected with one of the companies involved.

Educated guesses follow. Others in the market quickly spot an upsurge in interest, and sense informed buying. The price soars.

Mr Feltham's analysis is borne out by academic research on this subject. As one FT reader explained in a letter to the paper last week (January 31), recent US research of 172 tender offers *between 1981-85 indicates that* pre-announcement price movements are consistent with "a legitimate market for information."

"The true insider is like a burglar," says Mr Feltham. "He is in and out before you realise it . . . We will always look at price movements before an announcement, but most insider dealing cases are when nothing happens."

DEALING CODES

City firms act to stop inside deals

ONLY a quarter to a third of insider dealing is believed to take place in the City itself, with the rest spread widely around the country. Nevertheless, with sensitive information washing through them like a tide, it is City firms that are most aware of the risks of insider dealing.

Most operate strict dealing codes. Such codes can be and are broken, however, making information barriers, or "Chinese walls" an important ele*ment in the battle.*

A common rule restricts trades which concern the shares of companies that are clients of the firm. Those generally have to be approved by a bank's compliance department before they can go through.

Mr Bernard Rouget, executive director of compliance and audit at County, says: "Either we believe in our Chinese walls or we don't."

THE US EXPERIENCE

Enforcement of securities law remains politically popular

MORE THAN three years after Mr Ivan Boesky, the famous Wall Street arbitrageur, was jailed for insider trading, securities law enforcement, including the rooting out of insider traders, remains a vital and politically popular issue in the US.

However, there has been something of a backlash against the harsh criminal prosecutions that increasingly supplemented civil enforcement actions by the Securities and Exchange Commission, which regulates the US securities *industry, in fighting* white-collar crime.

The US has a long history of parallel civil and criminal law which is reflected in the prosecution of insider trading. The *difference, put simply, is that*, in civil law, there need only be a preponderance of evidence, whereas, in criminal law, the case has to be proven beyond reasonable doubt. Criminal penalties tend, therefore, to be that much higher.

For the bulk of the 1980s, the burden of *securities* law enforcement fell squarely on the shoulders of the SEC, but its powers were limited to asking for injunctions to prevent continued violations of securities laws and the disgorgement of illegal profits.

In the past decade, the SEC has been given significant powers through two acts passed by Congress.

The 1984 Insider Trading Sanctions Act for the first time empowered the SEC to seek substantial civil penalties of up to three times the amount of illegal gains through insider trading.

In 1988, a second act gave the SEC power to levy fines on companies that were deemed to have failed in supervising employees indicted for securities law violations, including insider trading, thus establishing a company's duty to *enforce securities laws.*

It also gave the SEC the power to award informants and to investigate violations of foreign securities laws on behalf of its counterparts overseas. *The act also doubled the maxi*mum prison sentence for insider trading to 10 years from five and increased the maximum criminal fine to $1m from $100,000 for individuals and to *$2.5m from* $500,000 for corporations and partnerships.

Those laws were supplemented by increasingly widespread co-operation between the SEC and criminal prosecutors on a wide range of securities law enforcement actions. But it was a stepped-up effort by federal prosecutors against insider traders which has had the most devastating effect, particularly the use of criminal RICO — the Racketeering Influenced and Corrupt Organi*sations Act.*

Securities attorneys believe that RICO — which carries a maximum of 20 years in jail and can lead to the freezing or forfeiture of assets before trial, *even on an accusation of racke*teering — has been misused to bludgeon companies indicted on insider trading and other securities law violations into settling.

Drexel *Burnham* Lambert, which had always professed its innocence of securities fraud both to federal prosecutors and the SEC, crumbled when faced with the threat of a racketeering indictment and agreed to plead guilty to six felonies and to pay $650m in fines.

Opinion in the legal profession and the securities industry remains divided on the use of criminal prosecutions of white-collar offenders, but the fervour has faded somewhat.

Congress remains staunchly in favour of harsh penalties for securities fraud but, after the indictments of Mr Boesky and Drexel Burnham Lambert, the enforcement spotlight has *turned away from insider trad*ing to other forms of securities fraud and from Wall Street exclusively to corporate America.

Last week, the SEC's chair*man Mr Richard Breeden* argued strongly to a Congressional sub-committee for powers to fine individuals and corporations for violations apart from insider trading such as delinquent *filings* on *stock* transactions by corporate insiders.

Janet Bush

EUROPE

EC member states prepare law to protect against insider dealing

NO ONE has ever been imprisoned for insider trading in Western Europe. *In* some countries it is not even against the law.

Yet by the middle of 1992 all 12 EC member states will have added to their statute books a law that will make it illegal to trade on the basis of insider information.

The general idea is that in a post-1992 world, when European investors are equally at home on stock markets in London, Lisbon or Luxembourg, a similar standard of protection against spivs should be afforded in each.

The difficulty lay in finding a definition that would cover the full range of accepted business practices in Europe, offering neither the *rigid* Anglo-Saxon attitude towards fair play, nor the more free-wheeling trading style in other parts of Europe.

For two years, member states groped towards a formula that would satisfy countries such as the UK, where existing insider trading laws are toughly worded, but also those such as Italy, where the very concept of an insider as somebody undesirable is a new one.

In many countries, the idea that information should be made equally available to all shareholders is fairly recent — until not long ago in West Germany, for example, company *announcements* were released to journalists several days ahead of the publication date, making insider trading, as literally defined, the norm rather than the exception.

Given the background, it is not surprising that the EC directive is vague. It defines insider information as anything that, if widely known, would have a "significant" effect on the share price.

It will make it a crime both for "primary" insiders — those who work for the company or advise it — and for secondary insiders — who have picked up the information from other sources — to trade on the basis of it.

Primary insiders will *not* be allowed to use their information either for their own profit, or for that of a third party; neither will they be allowed to pass it on to anyone else.

Some observers doubt whether the directive will make much difference, arguing that it is very unlikely to result in any convictions.

British lawyers have complained that the new rules will be impossible to enforce because the definition of an insider is too broad.

About half the member states, including the UK and France, already have their own insider laws which are stronger than the proposed European version, and only minor alterations will be needed to comply with the directive.

The rules will have a greater effect on countries such as Ireland, Luxembourg and Italy, which are in the process of drawing up laws on insider trading for the first time.

Moreover they will force West Germany, which until now has contented itself with a voluntary agreement to prevent traders profiting from inside information, to make it a law. Germany argued that its system was better able to discourage dishonest ways.

Lucy Kellaway

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NEWS IN BRIEF

Last minute attempt to save Packer foundry

A last minute attempt is being made to organise a management buy-out for part of North British Steel, the steel foundry company in West Lothian, Scotland, controlled by Mr Kerry Packer, the Australian businessman, where several hundred jobs are at risk because of closure and reduced production.

North British Steel said it was discussing with union representatives a possible rescue package entailing reduced production. It blamed "diminished forward orders" and "sustained losses" over several years for the decision.

North British Steel ceased to be an independent company in 1988 when it was taken over by Aurora, the Sheffield-based engineering company. Aurora is now owned by Australian National Industries, the Australian engineering group which last year came under the control of Consolidated Press Securities.

Smoke-free flight

Virgin Atlantic, the scheduled British airline owned by Mr Richard Branson, yesterday claimed to be the first international carrier to offer a total no-smoking flight in its Boeing 747s flying across the North Atlantic.

Banks back East

Commercial banks should not allow their wariness over large-scale sovereign lending to prevent them from contributing to economic reform in Eastern Europe, Mr Robin Leigh-Pemberton, Governor of the Bank of England, told The Overseas Bankers Club (OBC).

Prince's appeal

A call for an international convention to save the world's tropical rainforests was made last night by Prince Charles, giving the annual rainforest lecture at the royal Botanic Gardens, Kew, London.

Airport investment

Manchester Airport is to spend £500m – almost doubling its capacity by the year 2000. The investment will include the new second terminal, a rail link, a new hotel, technical improvements and environmental protection measures.

RSI test case

A former Reuter journalist, Mr Rafiq Mughal, is expected to be the first journalist in the UK to issue formal legal proceedings for damages over RSI – repetitive strain injury.

Mr Mark Stephens, senior partner of media law firm Stephens Innocent, said yesterday a writ would soon be issued against Reuter, the international news and information group.

Satellite TV spreads

Up to 5m homes in the UK will have satellite television receiving equipment by the end of 1993, according to the latest forecast by the Financial Times Satellite Monitor.

The forecast is based on the present rate of installation and the intentions of those saying they plan to instal equipment.

Otis staff training

A form of training designed to improve the skills of the UK maintenance staff of Otis Elevator International, one of the world's largest lift manufacturers, is to be introduced into its global operations.

Otis announced the signing of a world-wide training contract with Macmillan Intek, the UK "flexible learning" company which designed the training package.

Whisky exports rise

Exports of Scotch whisky earned more than £1.46bn last year. This was an increase of 14 per cent over 1988 and a record for Scotland's largest net export earner. In volume terms, exports fell by 1 per cent to 242m litres of pure alcohol, due entirely to a reduction in bulk shipments of blended Scotch. Exports of bulk blends to the European Community declined by 50 per cent in volume, but generated the same value as in 1988.

Halifax on trial

Halifax Building Society was yesterday committed for trial at Leeds Crown Court on charges of contravening the Data Protection Act.

Halifax was charged at Calder Magistrates' Court, Halifax, with knowingly or recklessly holding personal data between February 1987 and October 1988 for the purpose of crime prevention, a purpose for which it was not registered under the Act.

Bank rents offices

Standard Chartered, the international banking group which last year sold its London headquarters for £145m, has found new offices which it will rent for £3.4m a year.

It is leasing 1 Aldermanbury Square, in the centre of the City, a 65,600 square feet building near completion, from Hereditable City Investments.

Report says 200,000 in trouble on credit

Property group offers £180m cut-price deal

By John Brennan

REGALIAN Properties, the commercial and residential property development group, is understood to be planning to sell its entire £180m London residential portfolio in a series of cut-price deals.

Under the arrangements buyers unable to afford the homes outright will be able to purchase an immediate 50 per cent stake. They would then have up to five years to buy the other half at the prevailing market rate.

Regalian's move is understood to be a swift way of releasing half the cash tied into its London residential developments without having to accept reductions in prices.

This radical solution to the stalemate in the London housing market - the largest home equity sale of its kind - is being launched at a time when at least 200,000 UK households are estimated to be in serious difficulties because of credit.

Regalian is expected to make all the completed but unsold apartments in its 12 London residential schemes available for half the current asking prices. The company would retain the remaining 50 per cent interest in the properties for up to five years. Purchasers would be able to buy Regalian's share of the property in that period, and the group would recoup its holding in the event of a resale.

Fast sales would prevent any deterioration of the unsold properties, most of which were completed after the summer of 1988 as sharply rising interest rates squeezed sales volumes.

● At least 200,000 households - 1 per cent of the national total - are in serious financial trouble because of the increase in the use of credit, according to a working party set up a year ago at the request of Sir Gordon Borrie, the Director General of Fair Trading.

The report came as a survey published by the Halifax, the country's largest building society, found that house prices had fallen in January for the sixth month in succession - a 0.6 per cent drop, similar to the figure in December and November.

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Ford claims strike has limited effect

By Michael Smith, Labour Correspondent

MOST OF the 21 UK plants operated by Ford, the subsidiary of the US motor manufacturer, were running normally yesterday in spite of a strike by 1,600 electricians, according to the company, which predicted that the action would not force the shutdown of any plants this week.

Mr John Hougham, Ford's personnel director, ruled out talks with leaders of the EETPU electricians' union to end the strike. A separate strike by craft workers has halted plants at Halewood in Merseyside and Southampton.

Mr Hougham's comments came as Mr Jack Adams, lead negotiator for the Ford unions, strongly criticised the EETPU for launching the strike.

He said it conflicted with the established procedure for joint union negotiations.

Mr Adams said the electricians' strike frustrated a democratic decision of Ford workers, who had voted by a substantial majority to accept the two-year pay deal against which EETPU members are protesting.

He also accused the EETPU leadership of launching the strike as part of their battle with the Electrical and Plumbing Industries Union, which broke from the EETPU in 1988 following its expulsion from the Trades Union Congress.

Mr Adams and other union leaders will meet Ford managers today before signing the 10.2 per cent deal. The EETPU has said it will not sign until its members' grievances over skills allowances and training are addressed.

The Amalgamated Engineering Union has also said it will not sign unless the company improves terms for skilled workers.

Ridley urges free market for E Europe

By Ralph Atkins

FREE-MARKET economics based largely on self-interest and a minimum of state intervention were offered yesterday as the solution to eastern Europe's economic problems by Mr Nicholas Ridley, the Trade and Industry Secretary.

Emerging democracies needed property rights and "freedom to invest, freedom to make a fortune and keep a chunk of it, and freedom to go bust," Mr Ridley said.

He rejected unrestricted financial support as a long-term alternative. Western aid should be aimed at providing risk capital, technology and managerial skills, he said.

His speech to the Adam Smith Institute invoked the spirit of the 18th century free-market economist to comment on economic policy in the UK and in Europe.

He dubbed the Socialist belief in public sector monopolies and government intervention "a form of conspiracy against the public which is essentially similar to what happened in east Europe."

In the 1970's, eastern European countries got all the dollars they needed from the west, Mr Ridley said.

But they were wasted. "They may have headed off food riots, kept bureaucrats in employment, helped pay wages in bankrupt industries, but the inheritance of most of those countries was vast foreign debts."

Shorts changes job policies to win US deals

Jimmy Burns on how the demand for dollars altered attitudes at a Belfast factory

There is only one Union Jack flying at Shorts these days, and its planted firmly over the entrance to the aircraft company's East Belfast management headquarters.

In 1987, flags, emblems, and inflamatory posters were all over the shop floor at Shorts, Northern Ireland's biggest private employer. So were the pickets and the death threats. Hard-line loyalists resorted to sectarian symbols as a form of intimidation against Catholics.

Now Shorts, employing 7,700 people, is held up as an example of good employment practice by the Government.

Union officials criticise Shorts management for what they claim is an attempt to run roughshod over agreements on pay and conditions since the company was bought by Bombardier of Canada in June.

Mr John Freeman, a former Shorts shop steward and regional secretary for the TGWU transport union, says: "The shop floor used to come under a tremendous amount of pressure from hardliners. While I don't doubt that there is still a certain ammount of that feeling about the place, it bears no relationship to the atmosphere that existed there before."

The management's determination to change the attitude of the shop floor since 1987 has been brought about against the background of a changing business environment.

At the height of the flag waving controversy Shorts made it clear to workers that industrial action over the sectarian issue threatened jobs.

At stake were key contracts with the US where the fair employment issue in Northern Ireland has for many years been a matter of public concern to prominent Irish American politicians with links to the Catholic community.

Shorts has always been reluctant to admit too openly that it has responded to the so-called Irish Caucus because that would give the impression management strategy was underpinned by a strong Republic bias.

Mr Roy McNulty, managing director of Shorts, will say only that the US Government has in recent years asked the company to "present in some detail what we are doing on affirmative action, on several occasions, in the run-up to getting a US contract."

He insists the Irish Caucus is powerless to prevent Shorts from getting certain deals and that the US administration is "happy enough" as long as the company is seen to be adhering to Britain's own legislation.

The US companies that have been subjected to pressure over Norther Ireland include Boeing, the airline company. Since 1987, Irish Americans linked to New York City Council, one of the major shareholders in Boeing, have submitted resolutions on "non-discrimination in Norther Ireland" at the annual shareholders' meeting.

The resolutions, which have been rejected by a majority of shareholders and by Boeing's Board of Directors, urged the US company to insist that Shorts adhere to US non-discriminatory policy which includes quotas.

The American campaign over Northern Ireland has been focused on trying to impose the McBride principles on US interests there.

Captain John McBride was executed by the British Government as an Irish rebel in 1916. By the mid-eighties, the McBride principles campaign aimed to put discrimination in employment firmly on the political agenda on both sides of the Atlantic. The principles include "positive discrimination" in the form of quotas and a minimum Catholic proportion of the total workforce in any company of at least 40 per cent.

Britain's position is that Northern Ireland's own legislation provides legally enforceable remedies against discriminatory practices. During a visit to Belfast in 1988, however, US congressman Joe Kennedy claimed Shorts had agreed to set specific quota targets for Catholic recruitment to win a $60m contract to supply the US Army National Guard with Sherpa aircraft.

Shorts started to re-examine the sectarian issue after a 1983 survey on the skilled labour force in the engineering industry confirmed job discrimination against Catholics. The survey showed the percentage of Catholic men employed by Shorts in the skilled sector was between 3 per cent and 8 per cent.

The company now puts the total of Catholics employed at around 12 per cent and the recruitment of new employees whose religion is Catholic at around 20 per cent. Mr McNulty is forecasting a "mid-term objective" of 25 per cent in total recruitment of Catholics employed at Shorts.

Action has included advertising in Catholic newspapers, a programme of contacts with Catholic schools, and the introduction of greater flexibility in the requirements needed for entry into the company's technician apprenticeship scheme.

Since the early 1980's, a group of hard-line Protestant activists have been trying to gain control of union affairs at Shorts. But according to both management and union sources, the hardliners emerged from the flag-waving controversy weakened and unable to carry the majority of workers with them.

Today shop-floor organisation at Shorts remains complex. A plethora of trade unions, within which exist factions dominated still to some extent by political and religious allegeance.

Catholic politicians suspect that Shorts may be recruiting its Catholic skilled staff from outside the Belfast area and that statistics need to be treated with caution. Mr Feeney says: "At the end of the day its going to be a question of jobs or redundancies and keeping jobs within specific communities."

Short Brothers has won a £75m order to supply parts to Boeing, it was announced yesterday.

The recently-privatised company is a major component supplier to the US aviation giant.

The latest order is for main landing-gear doors for Boeing 747s and 757s and inboard trailing-edge wing flaps. The company said the order will safeguard jobs until 1992 and was the first major aerostructure order won by Shorts since it was sold by the Government to Bombardier of Canada last October.

UK NEWS

Power stations may drop £2bn acid rain plan

By Maurice Samuelson

THE COST of removing sulphur emissions from Britain's coal-fired power stations will be significantly more than the value of those stations after they are privatised early next year.

As a result, the Government is expected to let the electricity industry discontinue its £2bn programme of reducing sulphur emissions, a source of acid rain pollution in Scandinavia, by building large gas-scrubbers in some of its biggest power stations.

While pledging to meet the required sulphur limits, it hopes to do so more cheaply, by using more low sulphur coal from abroad and by burning more gas.

Alternatively, it says it can only afford to build flue gas desulphurisation (FGD) units if it wins further sharp price reductions by British Coal after the end of the present interim three year contracts.

Installing FGD at a 2,000MW power station currently costs about £350m. However, with National Power and PowerGen, the CEGB successors, expected to be sold for less than £4bn, such plants, the workhorses of the industry, would have a book value of less than £300m each, compared with their present replacement cost of more than £1bn each.

● NATIONAL POWER, the electricity company, has pulled out of the £1bn scheme to build Britain's biggest ever gas-fired power station. National Power, one of the successors of the Central Electricity Generating Board, was to have been a shareholder in the power station at ICI's Wilton plant, Teesside, together with ICI and the Enron Corporation, the US gas and utility group.

● MORE THAN half Britain's coal mines will close in the next five years and Britain could be 25 per cent dependent on imported energy as a result of electricity privatisation, it was claimed yesterday.

Mr Hedley Salt, chairman of the Coalfield Communities Campaign, representing 83 local authorities in British coalfields, when he accused the Government of "enthusiasm for importing foreign coal and squandering valuable gas resources on base-load power".

UK sales of new cars expected to fall by 8%

By Kevin Done, Motor Industry Correspondent

NEW car sales in the UK are expected to fall by about 8 per cent to 2.13m this year from the record 2.3m in 1989, according to the latest forecast from the Society of Motor Manufacturers and Traders (SMMT).

The forecasts have been revised down since last autumn reflecting the deterioration in the UK economic outlook.

After five successive years of record sales from 1985 to 1989, new car demand is expected to remain flat next year.

The weaker demand in the home market this year is expected to result in a drop in UK car output to 1.2m vehicles compared with the 1.3m last year – the highest since 1977.

Car production is expected to rise again in 1991, however, to around 1.33m helped by growing exports.

The SMMT is confident that UK car output will continue to expand strongly during the decade to reach 2m units a year in the second half of the 1990s , boosted by production from the Japanese "transplants" under development by Toyota and Honda and also by Nissan.

Chemicals giant considers new ventures in Burma, Vietnam, and Philippines

ICI plans to double workforce in Far East

By Peter Marsh

IMPERIAL Chemical Industries, one of Britain's biggest manufacturers, plans to double its employment in the Far East over the next few years as a result of a new focus on expanding its presence in the region.

Out of a worldwide ICI workforce of 130,000, the company now employs about 4,500 in Japan and other countries in the region, not including Australasia.

Of the 4,500, about 1,000 are professional managers and engineers and the rest mainly production and clerical workers.

Mr Chris Hampson, ICI director with responsibility for the Far East, said the numbers in both categories should double by the mid 1990s; assuming the company succeeds in its expansion plans.

The company, the world's fourth largest chemicals group, gains only about a tenth of its £13bn annual turnover from the Far East.

It wants this proportion to move to 20 per cent by the end of the decade, reflecting rapid growth prospects for chemicals in much of the region.

Mr Hampson said the company is attempting to expand in the Far East in areas linked to rising consumer demand such as paints, raw materials for fibres and polyurethane plastics.

ICI was considering a number of new manufacturing ventures in that part of the world.

In recent months ICI has reorganised its management structure in the region. It has appointed Dr Bill Madden as regional executive for the Far East, based in Singapore. That puts him on the same level in the ICI hierarchy as Mr Ben Lochtenberg, who is responsible for North and South America.

The company is also strengthening management at its administrative offices covering individual countries in the region.

It operates such offices in Japan, Hong Kong, China, Taiwan, South Korea, Thailand, Malaysia and Indonesia. The company is considering new ventures in Burma, the Philippines and Vietnam where it has only a limited presence.

Idea of a federal Europe gains support in Britain

By Emma Tucker

MOST people in Britain would agree to joining a united states of Europe but they still claim to be a race apart, according to the latest survey of the country's lifestyles and trends.

The Mintel report of 1990 reports that 72 per cent of those questioned support a limited European federation, a 4 percentage point increase on 1988 figures, but 53 per cent said they did not feel European as well as British.

The survey reveals that Britons are a home-loving lot and offered the choice of living abroad, only France improved its image as a preferred country of residence – up 3 percentage points on 1988's popularity figures to 15 per cent – while the desire to live in Spain fell 5 percentage points to 6 per cent.

The British reputation for being reluctant to learn any language other than English is reinforced by figures showing only 8 per cent of adults were learning another language, although 69 per cent wanted to.

The report reveals that Italians are the people most liked in the UK but the British think the Dutch are the most similar to them.

Mintel, the market analysts, also reported that the yuppie years are over and the entrepreneur of the 1990's should move away from luxury goods and concentrate on practical, family-oriented goods.

The family will dominate the next decade as the number of adults in their 30s, 40s and 50s increases and the number of teenagers dwindles, the report says.

There will be a 30 per cent increase in the numbers of adults in their early '50s but, according to the report, they will be a spritely group with plenty of cash for holidays and meals out.

The decline in 15-19 year olds will adversely affect certain industries, in particular clothing and the restaurant business. A 17 per cent decrease in household expenditure on clothing over the next five years is predicted and a 24 per cent decrease on eating out.

Within the clothing industry women's and children's wear will be least badly affected, due to the increase in working women and a rise in the birth rate. The jewellery and leather accessories market is set to show the best growth.

The trend towards home ownership will continue. The average Briton, generally because of buying his own home, is now worth 58 per cent more in real terms than in 1976.

More alcohol is being consumed but visits to the pub are less frequent. We are eating more cheese, fish, fruit and yoghurt, but less red meat, bread, sugar and vegetables. Despite this healthier lifestyle, we are spending more on over the counter medicines, especially headache remedies which alone account for nearly a fifth of total sales on medicines and toiletries.

An annual holiday is now top priority once the basic needs have been paid for, although more people are likely to holiday at home in 1990 due to the projected economic downturn.

Government plans curfew orders to cut prison sentences

By Alan Pike, Social Affairs Correspondent

CURFEW ORDERS and other community-based penalties are planned by the Government as an alternative to prison under an extensive review of criminal justice announced yesterday.

But a drive to avoid unnecessary prison sentences is to be accompanied by new powers for the courts to impose longer periods of imprisonment on those guilty of violent and sexual crimes.

Mr David Waddington, Home Secretary, said that the proposals would ensure that offenders were punished according to the seriousness of their offences.

The decision that non-violent offenders should, where possible, receive tough and demanding non-custodial sentences would allow "more opportunity for them to pay back something to their victims or to their community as a whole, and less opportunity for them to become hardened criminals by spending months on end with other criminals in prison."

Experiments with electronic tagging as a means of keeping track of offenders in the community are currently being conducted by the Home Office.

Other proposals, published yesterday in the policy document will be followed by legislation, include amending the existing parole arrangements so that all prisoners spend at least half their sentences in custody.

Most penal reform organisations welcomed the move from custody to punishment in the community, but warned that the type of community-based penalties imposed must be constructive ones.

Ms Vivien Stern, director of the National Association for the Care and Resettlement of Offenders, said that "sterile and negative measures such as curfews and electronic monitoring will neither gain the confidence of courts not divert offenders from crime."

Nigel Lawson: GPA director

Lawson joins heavyweight GPA board

By Kieran Cooke in Dublin

THE announcement that Mr Nigel Lawson, former Chancellor of the Exchequer, is to become a director of GPA, the world's biggest aircraft leasing company, brings together one of the more heavyweight and unusual boardroom alliances.

Sitting alongside the considerable figure of Mr Lawson will be Mr Garrett Fitzgerald, former Irish Prime Minister, and Mr Peter Sutherland, former European Commissioner on competition policy.

He will join Sir John Harvey Jones, former chairman of ICI; Mr Shinroku Morohashi, president of Mitsubishi and Mr Claude Taylor, Chairman of Air Canada.

Presiding over this boardroom mixture is Mr Tony Ryan, the Tipperary farmer, art collector, and multi-millionaire who founded GPA 15 years ago with capital of $50,000. GPA remains a private company in which Mr Ryan has a 9 per cent stake. Recent share sales put a total value of $3.9bn on GPA.

GPA, based at Shannon Airport in Ireland, is famous for paying large salaries. In return it demands a great deal of its staff, who travel widely in pursuit of more leasing business.

GPA has more than 200 aircraft on lease to 64 airlines in 35 countries. Nine month profits to the end of last year were $179.4m, up 63 per cent on the corresponding figure the previous year.

French race ahead of British tunnellers

By Andrew Taylor

BRITISH engineers digging the main rail tunnels for the Channel tunnel are running between 17 and 21 weeks late. French engineers by comparison are 12 to 16 weeks ahead of schedule, Eurotunnel said yesterday.

It said progress on the tunnels had improved last month when more than 5km were dug and lined. The central service tunnel, which will run between the two rail tunnels, was now on schedule to be completed by the middle of December, said Eurotunnel.

The Anglo-French Channel tunnel group has been rowing with its contractors over mounting costs and delays in digging the tunnel. It has been particularly critical of the performance of the British contractors.

Eurotunnel said progress by the British tunnel boring machines had improved. These had progressed 1,902 metres last month compared with a monthly average of 1,283 metres during the second half of last year.

French engineers had progressed a record 700 metres under the sea in a single week last month. Eurotunnel said the faster than expected progress by French contractors had offset British delays.

The cost of building the project has soared to more than £7bn compared with an original forecast of £4.8bn. Eurotunnel is currently negotiating with more than 200 international banks to raise some of the extra finance it will need to complete the project.

Meetings between Eurotunnel directors and the banks have been taking place following an agreement reached last month with with the contractors and group's lead bankers over the extent of the cost increases.

Eurotunnel also is expected shortly to announce the appointment of a new senior executive to oversee the running of the contract.

Laytime starts with discharge of ship's cargo

THE MEXICO 1
Court of Appeal (Lord Justice Mustill, Lord Justice Farquharson, and Sir Denys Buckley): January 31 1990

NOTICE OF readiness to discharge is ineffective to trigger off laytime in accordance with charterparty terms if given when contractual cargo is inaccessible and, in the absence of any post-notice event to trigger it off, laytime starts to run, not when the cargo becomes accessible, but when discharge begins.

The Court of Appeal so held when allowing an appeal by Transgrain Shipping SA, charterers of the Mexico 1 from shipowners Global Transport Oceanico SA, from Mr Justice Evans's decision upholding an arbitrators' award that on presentation of an invalid notice of readiness laytime began when overstowed cargo became accessible.

LORD JUSTICE MUSTILL said that on July 27 1984 the Mexico 1 was chartered by Transgrain to carry 5,000 metric tons of bagged maize from Argentina to Angola. The charterparty expressly related commencement of laytime to the giving of notice of readiness, to be delivered to receivers in writing in normal office hours.

The vessel completed loading maize at Nochea on November 20 1984, and sailed for her second loading port. During November a second contract was concluded for carriage of 500 tons of alubia beans on the same vessel. The beans were shipped at Buenos Aires. The owners also loaded various cargoes for their own account.

The charterers exercised an option to discharge both their cargoes at Luanda. The vessel arrived on January 20. On the following day the master telexed receivers "the vessel is in every respect ready to commence discharging."

When the telex was sent the maize cargo was partly overstowed with beans and owners' cargo. It was not cleared until February 6. The vessel was then put out of berth to give priority to another vessel. After eight days she reberthed. Discharge of maize began on February 19. The beans became accessible the same day. Discharge continued very slowly until April 25.

The first question was when did laytime begin if a charterparty related commencement of laytime to notice of readiness, and notice was given when the vessel was not ready?

The arbitrators held that notice of readiness was invalid when given, and was ineffective to commence laytime. That decision was not questioned. Thus unless something happened after notice was sent to make laytime start, it never started at all and owners would earn no demurrage.

Counsel for charterers conceded that laytime began to run when discharge of the maize actually commenced. The shipowners contended that laytime began to run when the ship became ready for discharge on February 6.

The arbitrators and Mr Justice Evans held that laytime began to run on February 6; they did so by different routes.

The arbitrators treated the original notice of readiness as inchoate, becoming complete and effective when the maize cargo became fully accessible. They said the *prima facie* purpose of notice, which was to warn receivers of the ship's arrival, was accomplished on January 20-21; and that although the notice was useless in respect of its secondary purpose, which was to say when the ship could be discharged, it was inconceivable that the charterers would not have stayed in touch and monitored Mexico 1's progress.

They followed the *Massalia [1959 1 WLR 787]*, where the court took the view that laytime started when the contractual cargo became accessible.

In the *Massalia* the status of the premature notice of readiness was not fully argued, if at all. The question whether it became effective on commencement of discharge was not argued. The mechanism by which it became effective was not discussed. The whole question arose only tangentially in relation to a small dispute on the notice period, and the decision was not well-founded on authority. It had been doubted more than once (see *Christensen [1971] 1 Lloyd's Rep 395* and *Nedelka [1974] QB 264*).

It was appropriate to consider the question afresh.

The pure inchoate notice theory was that invalid notice took effect automatically as notice when the ship became ready.

That notion was impossible to accept. By what mechanism could it be said that when discharge became possible and nothing else had happened there was compliance with the requirement that "notice of readiness shall be delivered" at the receivers' office.

The contract provided with absolute clarity what step must be taken to start laytime. The parties had stipulated for the giving of notice to trigger the charterers' obligation.

The shipowners modified the pure inchoate theory to make time run, not when the ship was ready to discharge, but when charterers knew of it. The arbitrators seemed to accept that proposition.

That did not meet the objection that the contract provided for laytime to be started by the notice (which meant a valid notice) and in no other way.

Mr Justice Evans rightly rejected the argument that the notice was a delayed action device effective to start laytime automatically when the ship became ready to discharge.

The arbitrators said in their reasons that receivers, agents and the master all realistically treated the notice as one which would be effective as soon as all requisite physical conditions of accessibility were met.

Mr Justice Evans understood that as a finding that the receivers proceeded on the basis that the invalid notice became valid and effective when unreadiness was replaced by readiness to discharge.

He said that on those findings the correct conclusion in law was that the notice became effective on February 6, whether by implied or express agreement, or by "waiver, estoppel, or something else." He said that position could not be resiled from.

When the ship was ready to discharge contractual cargo, there was no notification to charterers or agents. Nor did the charterers intimate that they accepted laytime could now begin.

Those were thin materials for the inference of any waiver, estoppel or agreement.

The arbitrators were simply saying that the idea of the notice's capacity to mature when the ship was ready to discharge, was consistent with the action of those on the spot.

If that idea was set aside, as it must be, there was no other basis in the award for finding that laytime began before the operation of discharge began.

The second question was whether it was permissible to regard two-part cargoes carried on the same vessel to the same port for the same charterers, as constituting a single cargo, so that notice of readiness could properly be given as soon as the whole of one part was available.

When the vessel arrived at Luanda each of the two-part cargoes was overstowed. Beans in one of the holds were not accessible until February 19 – the day maize discharge began. If the cargoes could be regarded as one composite cargo of maize and beans it would not be ready for discharge until February 19. The arbitrator and the judge rightly ruled against that interpretation of the contract requirements.

There were two different contracts. There was nothing in the beans contract to annul provisions of the maize contract and to substitute new arrangements for a single maize-and-bean contract.

Differing from the judge on his interpretation of the award as incorporating a justifiable finding of waiver and the like, the appeal was allowed.

Laytime commenced when discharge commenced.

Lord Justice Farquharson and Sir Deny Buckley agreed.

For charterers: Jeremy Cooke (Moore Fisher Brown).

For shipowners: David Hunt QC and Geraldine Andrews (Middletion Lews Lawrence Graham).

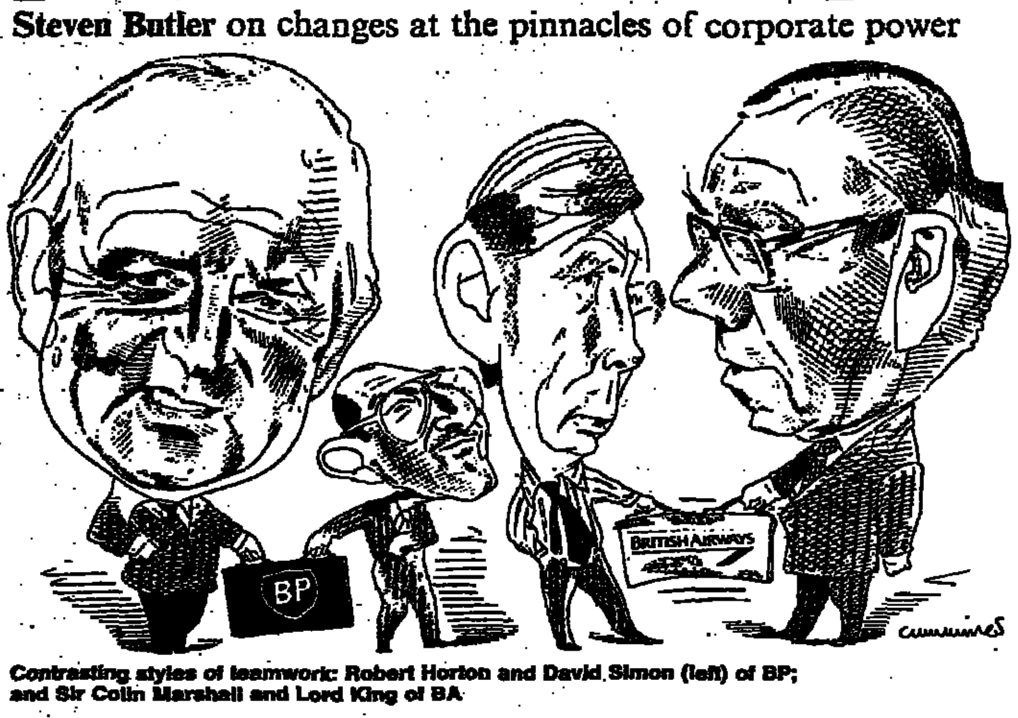
Rachel Davies
Barrister

MANAGEMENT

Sharing executive authority

In search of the perfect relationship

Steven Butler on changes at the pinnacles of corporate power



Contrasting styles of teamwork: Robert Horton and David Simon (left) of BP; and Sir Colin Marshall and Lord King of BA

When Robert Horton becomes chairman of British Petroleum next month, BP will have not only a new leader, but a new style of leadership and a new structure of authority.

Horton has decided to split the job of his predecessor, Sir Peter Walters, in two. He will be chairman and "chief executive," while David Simon will become deputy chairman and "chief operating officer." Horton will concentrate mainly on strategy and external relations while Simon will focus on making sure the operating parts of the business perform up to expectation.

The titles have a decidedly American flavour to them. They are commonly used in the US, and Horton confirms that the idea of reshaping the pinnacle of BP's executive power derived from his experience as chairman of Standard Oil, BP's US subsidiary, that has since become BP America.

Titles aside – and there is plenty of confusion at large about the various and contradictory uses of chief executive, managing director, and chief operating officer – the arrangements at BP raise important issues about the management of large, complex and geographically diverse corporations.

Michael Knight, of the Corporate Consulting Group, believes that changes in the corporate landscape, and external pressures likely to develop in the 1990s, may encourage more companies to adopt a similar structure.

Knight, and his colleague at Corporate Consulting, John Scott-Oldfield, call the prototype of Horton's approach a "one-over-one" arrangement. This means that the chief executive (the boss) has only one top man directly reporting to him — the chief operating officer.

Horton had a COO beneath him in Cleveland, where Standard Oil has its headquarters, and he liked the arrangement.

His explanation for the set-up is simple, albeit laced with Americanisms: "I am tremendously in need of time expansion," he says. BP has become too big and complex for one man effectively to perform all the roles of the traditional chairman/chief executive.

Horton expects to be travelling about 40 per cent of the time as chairman. He believes that in the 1990s BP will face a number of external challenges that will absorb most of his attention: dealing with pressures on the environment, increased government regulation, and the need for strategic corporate alliances in the face of continued change in the oil industry.

Although David Simon will oversee the operations of the company, Horton clearly intends to be in charge of it, to project himself as the single leader.

"One person has to be the boss if there is not going to be confusion," agrees Michael Knight.

As chairman, Horton will naturally be responsible to the board for the performance of BP. He has an expansive personality, and in addition to focusing on strategic direction and external relations, wants to have the time to project his personal presence throughout the group (120,000 employees in 90 countries), in part to lead a transformation of BP's corporate culture and management style.

The details of this programme – the first phase of which was dubbed Project 1990 – are under consideration by a small group directly under Horton. He clearly has it in mind to be the charismatic leader who transforms the group.

This method of splitting the task of the chief executive is unusual in Britain. While management consultants applaud the broad sense of the arrangement and especially the deliberation with which it will be instituted, they have trouble naming a precise parallel among British companies.

A more typical arrangement has been to have a chairman and chief executive – in the manner of Horton's predecessor at BP – who manages strategy and external relations, as well as the internal parts of the job. Sir Peter has had a number of managing directors beneath him responsible for various divisions of the company.

Another common arrangement is to have a part-time chairman, who may take a leading role in presenting the company to the media or the city, but with a full-time managing director who is chief executive (the boss) and runs the company.

The most extreme example of this approach is Lord Weinstock, managing director of GEC, who has all aspects of the company well under his control.

Hugh Parker, a long-standing expert on board structures as a former UK head of McKinsey, the management consultancy, and now chairman of Corporate Renewal Associates, traces four transitional stages in UK corporate development, beginning with a simple combination of chairman and managing director (or CEO), followed by a stage of part-time chairman with full-time managing director.

The third stage is characterised by full-time chairmen and managing directors, and a fourth stage by the concept of multiple chief executives, such as in Royal/Dutch Shell, Unilever, and BP, beneath an executive chairman*.

Horton's changes at BP add another twist to the final stage – splitting the job of chairman, with multiple chief executives beneath the chairman and COO in the operating divisions, such as BP Exploration or BP Chemicals.

The arrangement bears similarity to a structure of leadership just adopted at Pearson, the diversified financial and publishing group that owns the Financial Times. Frank Barlow, formerly chief executive of the FT, has been appointed managing director and COO of the group under Lord Blakenham, the chairman - to whom the group's oilfield equipment business reports directly, however.

There also appear to be similarities at British Aerospace, even though Professor Roland Smith is not a full-time chairman. He plays a much fuller role than many non-executive chairmen in influencing the group's strategy and external relations, while BAe's chief executive, Richard Evans, has a brief that is similar to David Simon's at BP.

In the days when Sir Raymond Lygo was still chief executive at BAe, and Roland Smith had just become chairman, the balance between the two roles was rather different.

A slightly different balance – not always harmonious – applies to the relationship at British Airways between the energetic Lord King, whose chairmanship is officially non-executive, and Sir Colin Marshall, his chief executive, whose role is not confined to strictly operational matters.

There are innumerable variations on these themes, and there is certainly no single "right" structure for any situation. "To some extent it is a function of personality and to some extent it is a function of size," says John Scott-Oldfield.

At BP, Bob Horton and David Simon stress the importance of their personal relationship and mutual understanding in making the split of authority work. They see a fit between personalities and circumstances.

While the two have prepared a list of duties and responsibilities for the jobs, both stress that it is not a rigid demarcation.

"We are very clear about what our duties are," says Horton, but adds: "There is a space between David and me which is very difficult to define."

"You don't introduce a system just for the sake of a system. To say that you have here a certain type of structure is dogmatic," says Simon. "The terms of reference [for the two jobs] are really more important for people outside. Basically we are working as one unit."

**See Letters to a New Chairman, by Hugh Parker. £9.95 (plus 50p p+p), Directors Publications, Mountbarrow House, Elizabeth Street, London SW1W 9RB.*

Independent directors

The toothless watchdogs in America's boardrooms

Martin Dickson reports on the need to combat complacency

American Brands, the tobacco and consumer goods conglomerate, last week announced a reshuffle which will bring it into line with most large US companies in giving outside directors a majority of board seats.

The move gave a quick fillip to the group's share price, but that may well have been due more to takeover speculation than any expectation on Wall Street that the new structure would promote a dramatic improvement in performance.

For, as a new book on US corporate power suggests, the mere creation of a board with a majority of independent directors does not in itself produce more dynamic, efficient leadership.

Far from it, argue Jay Lorsch, a Harvard Business School professor, and research associate Elizabeth MacIver, in Pawns or Potentates: The Reality of America's Corporate Boards,* which is based on detailed interviews with over 80 independent directors and postal surveys with 900 more.

Many boards, they say, are ineffective and under the thumb of powerful chief executives; they lack the power and sense of common purpose needed to oversee their companies as they should. Important issues are not discussed openly, or sufficiently quickly, and small management problems fester and tend to grow into crises.

While the study is confined to the US, it has lessons for Europe, where circumstantial evidence suggests that similar attitudes are all too prevalent.

Admittedly, the position in the US is not as bad as it was 20 years ago, when one survey described directors as simply "ornaments on a corporate Christmas tree," a cosy club filled with the company's own employees, advisors and the chief executive's chums.

Today 69 per cent of US directors are complete outsiders (in Britain non-executives are usually in a minority), there has been an increase in board committees which scrutinise particularly sensitive issues, such as auditing, pay and appointments, and board members view their responsibilities much more seriously.

But, say Lorsch and MacIver, there is still far too much rubber stamping, rather than pursuing the director's most important tasks, which are to oversee the chief executive, determine strategic direction, and ensure the company is acting legally and ethically.

The most obvious restraint on outside directors is the entrenched power of the very person they are meant to be governing: the chief executive, who, in 80 per cent of US companies is also the chairman and thus controls the agenda of board meetings, decides what information is received in advance, and leads discussions in the boardroom.

Furthermore, he often plays a key role in the selection of new outside directors – despite the growth of nominating committees. And since 63 per cent of the outsiders are themselves chief executives of other companies, they may have an in-built bias to the management, "doing unto other chief executives as they would have done unto them."

Lacking in expertise

The chief executive has a knowledge of the group which the part-time outsiders (dedicating around 14 days a year to the company) cannot hope to match. Many in the authors' survey said their contributions were constrained by lack of expertise or information, inadequate preparation time and, most important of all, lack of discussion time at the board meeting itself.

And this is compounded by a taboo against open criticism of the chief executive – "about how he or she is shaping the agenda, conducting the meetings or, at a broader level, adequately developing a successor or being forceful enough in correcting performance problems in a faltering division."

Outside directors, add the authors, are confused and divided over their accountability – particularly following the takeover wave of the 1980s and the rise of the risk arbitrageur, wheeling and dealing short-term in bid stocks.

Traditionalist directors say simply that, following legal convention, they are responsible first and foremost to shareholders – even though the law on this is changing from state to state. Others consider themselves accountable to wider "stakeholders," such as consumers and employees.

"More and more people," says one director, "are coming to the realisation that the shareholders are really a bunch of 26-year-olds sitting behind their trading desks, and that the people who have the best interests of the company and its employees at heart are really those in management."

Lorsch and MacIver produce plenty of proposals to remedy matters. One set would simply tinker with the present US system: reduce the chief executive's power to nominate directors and widen the pool of candidates; make sure that lawyers spell out precise accountabilities in the various states; introduce strategic planning committees; have an annual review of the chief executive's performance and more open board discussions.

Sensibly the academics also suggest separating the roles of chairman and chief executive, a division common (but by no means universal) in British companies (see left).

But they brush aside the idea of board seats for institutional investors, which has rather more to recommend it than they allow.

Equally questionable is their support for the fashion among some US states to enshrine in law directors' accountability to groups other than shareholders. For once you start widening the circle, where do you draw the line? It is a trend which could take responsibility for corporate America out of the market place and into the hands of the judiciary – and in the process allow the very boardroom complacency which Lorsch and MacIver are so keen to combat.

* *Harvard Business School Press. Price $22.95*

TECHNOLOGY

The best conventional coal-fired power stations convert only 38 per cent of the energy in the fuel to electricity. **David Fishlock** reports on a new process which promises to raise combustion efficiency to 45 per cent

Hot gas tops up the yield from coal

A new way of burning coal, which may yield 20 per cent more power while creating 20 per cent less carbon dioxide, has gained backing from energy concerns in the UK, the US and Finland.

British Coal, developer of the "topping cycle", has so far mustered nearly £24m from a multi-national "club" of sponsors to start work that should culminate in a commercial demonstration by 1994.

The process is designed to improve pressurised fluid-bed combustion by gasifying all or part of the coal and using the hot gas to drive a turbine.

The project began in late 1988 as a partnership between British Coal and Ahlstrom Corporation, the Finnish boiler maker. Today the "club" has four members and is about to announce a fifth.

Topper is a time-honoured term in the energy industry for a mechanism that squeezes extra power out of an electricity system. In the topping cycle, the gas turbine and its generator serves as the topper for a conventional steam turbo-generator.

Earlier efforts by British Coal to develop a competitive fluid-bed boiler for the Central Electricity Generating Board came to an end about two years ago, when a tripartite study by the CEGB, British Coal and the Department of Energy concluded that conventional boilers scaled up to 900 MW would be more economic and incur less technical risk.

What remained, says Steve Dawes, British Coal's research manager for power generation, were hopes for the more advanced pressurised fluid-bed (PFB) technology, which it was believed could prove competitive with boilers of up to 400 MW. The US, Sweden and Spain were already well advanced in developing PFB demonstrators of about 80 MW, while British Coal had access to the work of ABB Carbon, in Sweden.

A joint study done with Bechtel, the US engineers, concluded that the privatisation of UK electricity supply could create a market for smaller units, of between 350 and 400 MW. These could be built more quickly, with less financial risk, and they would yield quicker returns than the big units.

But at British Coal prices, gas-fired boilers would give strong competition. So the aim was to make the coal-burning process beat the thermal efficiencies offered by other technologies, ranging from about 38 per cent for the 900 MW units to about 40 per cent for more advanced coal-gasifying processes such as those of Lurgi, Royal Dutch-Shell and Texaco, and the various pressurised fluid-bed coal-burning demonstrators.

Dawes's team turned to the topper. It proposed a combination of high-temperature PFB gasification technology, under development at British Coal's Stoke Orchard laboratories near Cheltenham, with the fluid-bed steam-raising technology, which it is exploring at Grimethorpe in Yorkshire.

The idea is to use PFB to convert some of the coal to gas hot enough to drive a gas turbine efficiently, then feed its exhaust gas to a steam turbine.

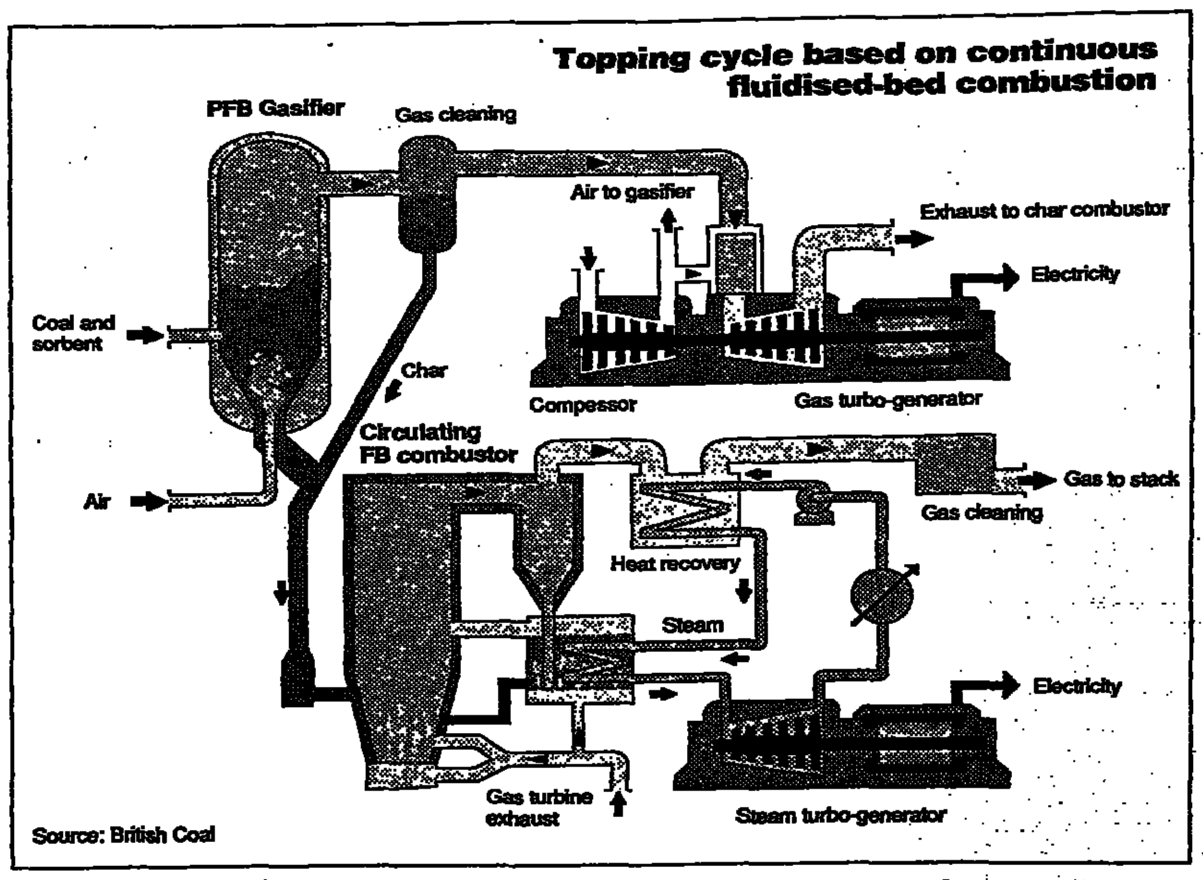
Theoretically, the combination could yield a thermal efficiency as high as 44.8 per cent for a 330 MW electricity supply.

Dawes plans to use a circulating fluidised bed of the kind developed by Ahlstrom as the Pyroflow combustor (see diagram). Another variant the club will demonstrate uses a pressurised fluid-bed combustor.

Somewhat surprisingly, Dawes admits, the pressurised system yields a slightly lower efficiency, only 44.3 per cent for a 360 MW electricity supply. This is because there will be greater losses downstream in cleaning the gas for delivery to the turbine.

The PFB cycle is to be demonstrated at Grimethorpe in 1992, using its existing 80 MW (thermal) combustor coupled to a Ruston TB5000 gas turbine – heavily modified so that it is really an experimental rig. Meanwhile, the Grimethorpe team is helping to defray running costs by using its PFB combustor to generate power from three 20 MW steam turbines.

At Stoke Orchard, Dawes has a newly commissioned pilot "spouted bed" gasifier of the laboratory's design, which has yet to operate at high pressure. This is being modified to run either as a pressurised gasifier or as a char combustor, serving both topping cycles.



Source: British Coal

What Stoke Orchard must demonstrate is that it can make the gas from coal clean enough to drive a gas turbine without shortening its life to an uneconomic degree. No one has demonstrated this yet.

British Coal is pinning its hopes on a gasifier that will run at a higher temperature than rival systems – around 1,000 deg C – hot enough to decompose the tars that clog cooler gasifiers.

Four partners are contributing to the first phase of the development programme: the US Department of Energy (with the Electric Power Research Institute in California), Ahlstrom (through its Californian subsidiary Pyropower), PowerGen and British Coal (with EC backing). A Japanese engineering group is expected to join shortly.

Of the £23.5m raised so far, £16m is allocated to installing and running the gas turbine until the end of 1991.

If successful, however, the expensive phase of commercial demonstration follows, when the pilot gasifier is scaled up at Grimethorpe at an estimated cost of £30m. When coupled to a 150 MW combined-cycle power plant, the total cost is likely to be about £150m.

Radio links for speedy delivery

The long wait in the Saturday shopping queue, while the credit card verification unit decides whether to approve your purchase, is enough to make anyone turn to cash.

But a telecommunications service, which uses radio links to send the go-ahead, promises to speed up the process. Paknet is a high-speed radio network for the sending and receiving of digital messages – from telephone numbers to stock market prices.

These short bursts of data can be sent on the ordinary telephone or cellular mobile networks. But they are comparatively expensive because both telephone and cellular radio companies allocate a whole voice channel to the transmission – and charge accordingly – even though data can be squeezed into a much smaller space than voice.

Paknet estimates that it can accommodate up to 2,000 simultaneous calls in any part of the country. So the cost of verifying a credit card number works out at 4p, says Neil Montefiore, managing director. The plug-in terminal – the size of a video cassette – costs £350.

The company, owned by Racal Telecom and Mercury Communications, is the first to offer this sort of service in the UK. But five more companies are negotiating licences to offer a national mobile data network similar to Paknet's, using portable terminals powered by batteries rather than plug-in units. They are Digital Mobile Communications, Hutchison Telecommunications and Ram Mobile Data, of London, Cognito Group, of Cambridge, and Motorola Storno, of Basingstoke.

Robert Condon, a director of Hutchison, which plans to begin its radio data service by July, believes the first applications will be for mobile units used to send and receive messages from dispatch riders – addresses, for example.

Hutchison has also developed a wireless modem for the emerging breed of pocket computers, from companies such as Psion of the UK, Atari of the US and Sharp of Japan. These electronic gadgets could find an additional role as an up-market paging system.

Della Bradshaw

Reaching for the sun from an underground laboratory

Atomic Energy of Canada plans to lend C$300m (£150m) worth of heavy water to an astronomical laboratory in Sudbury, Ontario. The C$61m laboratory will be located 2km beneath the surface of the earth in a disused nickel mine and will enable scientists to study the fusion furnace of the sun.

The Creighton mine is one of the deepest in the western hemisphere. The laboratory would enable physicists to get a "fix" on neutrinos. These are tiny, mysterious particles originating from deep inside the sun which could reveal vital information about the universe. Neutrinos are abundant throughout the universe but their elusive nature makes them hard to study with conventional techniques.

Scientists hope to complete the cylindrical laboratory by 1995 inside a specially drilled cavity in the mine. This would enable the crust of the planet to act as a shield, reducing the effect of cosmic rays from outer space and background radiation from the earth.

Talks leading to the programme began in 1983. Four Canadian universities are involved – Queen's, Guelph, Carleton and Laurentian, all in Ontario – as well as Princeton University and the University of California, in the US, and Oxford, in the UK. The Canadian National Research Council is also participating.

Neutrinos are the only known particles which come to earth directly from deep inside the sun. But because they have no electrical charge, no mass and interact only weakly with other materials, they are extremely hard to detect. On the earth's surface, their presence is virtually obscured by cosmic rays from outer space or by natural background radiation from the earth itself.

Careful study of neutrinos may reveal much about the nature and source of the sun's energy. It could further understanding of the physical processes governing the evolution of stars and the fundamental properties of matter.

One thousand tonnes of heavy water is needed to capture and measure the neutrinos. There are several facilities elsewhere for the their detection, but the combination of a large supply of heavy water and the deep mine gives Canada a unique opportunity to contribute to solar neutrino research.

Heavy water is the same as ordinary water except that its two hydrogen atoms are replaced with two deuterium ones. The interaction of deuterium and neutrinos results in measurable processes.

The investigations will focus on the properties of neutrinos, revealing the nature of their source – the fusion furnace inside the sun.

Deep inside the Creighton mineshaft, where cosmic rays cannot penetrate, a large group of sensors are meant to look for tiny flashes of light emitted as the neutrinos react or are scattered in a tank of purified heavy water.

The project will be financed by the Canadian and US Governments with an additional contribution likely to be made by Britain's Science and Engineering Research Council.

Underground caverns are occasionally used for detecting cosmic particles, but only one comparable solar neutrino study, in a South Dakota mine, has so far taken place. An underground vat of cleaning fluid placed in the mine was used to detect neutrinos. But that experiment has only deepened the mystery, calling into question current theories about the sun.

Thomas Land

TECHNOLOGY MARKET

Die Bakchantinnen

BIELEFELD CITY THEATRE

By the time Egon Wellesz (1885-1974) left his native Austria to settle in England in 1938, he had already established a considerable reputation as a composer. Today his music is overlooked, and he is better remembered for his writings on Byzantine and Baroque music and the Second Viennese School, published during his Oxford years. As the new production of *Die Bakchantinnen* (The Bacchantes) at Bielefeld illustrates, however, there was no distinction between the musician and musicologist in Wellesz. Each constructively influenced the other, and the result was always illuminating, scholarly and humane.

Die Bakchantinnen was one of five operas composed by Wellesz in the 1920s. After its première at the Vienna State Opera in 1931, it was another 20 years before Wellesz wrote his sixth and final opera, *Incognita*, for the opera club at Oxford University. Plans for a second production of *Die Bakchantinnen* in Berlin in 1932 fell victim to the rapidly changing political climate. So the opera has waited till now for its German première. The result was worth while, even if it is unlikely to stimulate a revival of Wellesz's music.

Loosely based on Euripides, the opera tells of the return of Dionysos to Thebes to exact revenge for the murder of his mother Semele. The Bacchantes are the women who fall under his extraordinary power and provide the means for him to kill Pentheus, the ruler of Thebes. The use of mythology provided Wellesz with a suitable allegory for issues which had a particular relevance to the political turmoil of the 1920s and 1930s, and which are no less important in Europe today: the dangers of indoctrination and mob mentality, the fine dividing line between freedom and chaos, law and state repression. The opera offers no moral or prescription. It is as if the composer is issuing a veiled warning not to put too much faith in the political saviour of the day.

The score acknowledges all Wellesz's musicological interests, without being overwhelmed by them or breaking the bounds of tonality. One is struck by his ability to conjure the world of Greek antiquity with a late Romantic orchestra, often exposing or intertwining solo woodwind voices, always keeping textures transparent, and never drowning the stage. In common with early Hindemith, there is a fair amount of chugging neo-baroque passage-work, but it is more closely tailored to the drama and altogether more melodious. There is no note-spinning, no Viennese neurosis - Wellesz speaks with an individual voice. Large polysonic choruses predominate, while much of the writing for the principal singers has a declamatory quality, the main exception being two grand lyrical scenas for the main female part of Agave.

The Women's Chorus

In the Bielefeld production, the role was sung with radiant conviction by Ingeborg Schneider, who made such a good impression last season in Korngold's *Das Wunder der Heliane*. She is a glamorous, classy soprano with a rich Straussian voice, who deserves a wider audience. Susan Maclean's coloratura soprano was heard to advantage as Panthea. Of the male voices, the baritone Herbert Adami and the tenor John Pickering gave stentorian performances as Dionysos and Pentheus.

The chorus and orchestra, conducted by Rainer Koch, gave of their best, which was not quite good enough for this demanding material. With abstract black decor and attractive classical Greek costumes designed by Gottfried Pilz, John Dew offered a staging which strived for dramatic simplicity, but was primitive in its overall effect. Nevertheless, Bielefeld's pioneering repertoire – with *Street Scene* and the German première of *Nixon in China* also on the programme this season – continues to provide a beacon in the sea of repetitive German opera schedules.

Andrew Clark

Jock Tamson's Bairns

TRAMWAY THEATRE, GLASGOW

The doors of the old tramshed are thrown open and a tatterdemalion funeral procession troops in: expressionist make-up, ragged clothes, plaintively dissonant music. They eventually lead spectators into the auditorium where the acting area is scattered with detritus and old clothes, and where we follow the further adventures of the deceased. For, lowered from on high on a refectory table, here comes the drunken Scottish little man, recently departed. And as the crew, as grotesque as Peer Gynt's trolls, prod and sniff ("He's steamin'! Stuff him! Roast him!"), we realise that this is an infernal Burns Supper; and the little man is the haggis.

After a ferocious version of the Selkirk Grace and a subverting glance at Burns' salute to the great pudding, the demons – for such they are – rip open his pullover and "spoon oot" his guts. Yards of tartan are unwound and their chanting evokes a teeming litany of images of Scottishness: Kenneth MacKellar; Mary, Queen of Scots; the Loch Ness Monster; unemployment; the Milwaukee branch of the Caledonian Society; North Sea oil; The Stag at Bay; Lena Zavaroni . . . the Song of the Clyde? The Dance of Death.

The Communicado company launches the theatrical side of Glasgow's year of culture with an exploration of the Scottish consciousness that is sad and funny, savage and affectionate, proud and despairing, cheerful and grim, utterly absorbing and totally marvellous.

The show seamlessly mixes surreal cartoon, ballet and documentary. The cast runs to 15 actors and eight musicians, a mammoth undertaking for fringe groups these days: Tennents spread more than their usual euphoria with their sponsorship. Chief begetters are Communicado's director, Gerry Mulgrew, writer Liz Lochead and artist Keith McIntyre – whose Ian Pollock-like mockery can conjure up the devil as a dog, though in performance the balletic tempter is more a Beardsley homunculus, simian as he crouches and leaps on his haunches to lure the protagonist with the dread amber bottle. Karen Wilmhurst's music combines rock with Celtic dole.

And the performers are without a single weakness. They can switch suddenly from the chant of schoolkids to vignettes of domestic life – neglected wife, absent father – in a patchwork of voices that evokes radio documentary at its best. They come up with familiar cameos – the Scots boy finding hope in army career – and briskly survey the cult of Burns, from the sturdy working-class assertion that he was the first communist to genteel swooning over his resemblance to John Cairney (the actor whose one-man industry has toured Burns to places where most poets never reach).

As the work teems with verbal references so it overflows with verbal allusions, notably the recurring Last Supper: always 13 at table, flanked by singers or acrobats as observers. A Bosch-like retribution is envisaged for the Drunk Man (the only identification for the northern Everyman touchingly embodied by Frank McConnell) when, yielding to John Barleycorn, he is dumped into a barrel to be mashed and fermented into the liquor he loves. And after the bowl has been passed sacramentally around, the snow falls thickly on the transfixed company, to wonderful effect.

As a theatrical experience it is exhilarating, overstuffed with ideas and images, beautifully drilled. Communicado clobbers you with its energy, inventiveness and sheer style as firmly as Bruce's battleaxe cleft de Bohun's pate at Bannockburn.

Martin Hoyle

Lloyds Bank to sponsor BBC's Young Musician of the Year

The BBC yesterday accepted the idea of sponsorship of its arts programmes when it announced that Lloyds Bank would be involved in the financing, and promoting, of its most successful arts series – the Young Musician of the Year. Lloyds is contributing a basic £1.3m over five years which will enable the BBC to extend the concept into Masterclasses; extra public performances by the finalists; and educational workshops.

The BBC has not completely sold out. The biennial competition, which starts on March 26th, will still be billed as the BBC Young Musician of the Year, in association with Lloyds Bank, and the Bank's credits – three in each programme, two verbal and one visual (or vice versa), and in the Radio Times, are no more than the BBC, in theory, gives to any sponsored arts event that it broadcasts. But Lloyds will be able to advertise its connection and it hopes that the relationship will grow, and in time feature its contribution more prominently.

The link with Lloyds took two years to negotiate and does stretch the BBC's charter, in that extra programmes, such as the Masterclasses, have become feasible because of the Bank's help. In theory the BBC cannot accept financing in the creation of programmes. But needs must when the financial devil drives and obviously every traditional BBC shibboleth is being re-examined.

Lloyds gains prestige and the opportunity to flash its message in front of a cumulative TV audience of 20m. Its arts sponsorship concentrates on youth and includes the Young Theatre Challenge in association with the Royal National Theatre and a comparable Fashion Challenge. It believes in catching account holders young.

The only BBC arts event more important than the Young Musicians is the Proms, and negotiations are underway about how they might be sponsored. The cost, up to £1.5m a year, is considerable but many companies are interested and although the final say lies with John Drummond, controller of Radio Three, the trend is in favour of this additional form of BBC funding as long as it can be incorporated within the traditional BBC ethos.

Antony Thorncroft

Sir James Goldsmith interviewed by Anthony Sampson in 'The Midas Touch'

TELEVISION

Danger of money as a new religion

Just when you thought the old stand-and-deliver series might have gone for good, here it is again, large as life and twice as natural. Time was when the BBC always seemed to be transmitting one of these big impressive series in which an internationally known figure – Kenneth Clark, Jacob Bronowski, J.K. Galbraith – circled the globe with a film crew, stopping in New York or Rome or the Brazilian rain forest, to find some symbolic object (the UN building, the Trevi fountain, a burning mahogany tree) where he would stand and deliver the next section of his thesis.

If that is a somewhat flippant description it is not because the formula was wrong, but because it became something of a cliché and, unsurprisingly, some rather poor examples were made. *The Midas Touch*, however, which Anthony Sampson started presenting on BBC2 on Sunday evenings three weeks ago, and which continues for another three weeks, is a pretty good example. The subject is money – with particular reference to greed – and it is produced to a high enough standard and in such a fashion as to make you hanker for that golden era in the 1960s when producers could happily make serious and demanding series without perpetually glancing over their shoulders to see what the accountants and ratings chaps were saying.

To be fair, though, *The Midas Touch* may point the way forward. Not only is it produced for the BBC by Antelope, thus qualifying as part of the 25 per cent of programmes which the Government has declared the BBC (and ITV) must take from the independent sector, it is also a co-production with part of its budget coming from Japan and Australia.

After watching all six parts there are several points that seem worth making. The first, and much the most important in terms of television production, is that this series reinforces yet again the belief that the best and most significant television programmes emerge from the sensibilities of a single "author." More often than not that author will be, originally, at least, a writer.* The revolution in television current affairs and documentaries between about 1965 and 1975 in which producers usurped the power of the writer/presenters (Betjeman, Muggeridge in the days before his sillier posing, Cameron and so on) was a sad event for the viewer.

Watching and, vitally, listening to Anthony Sampson in *The Midas Touch*, you realise how slick and vacuous so many other modern current affairs television programmes have become. It is not merely that 10 carefully chosen (and probably revised and polished) words from Sampson can convey more than 10 minutes of slow and ponderous fly-on-the-wall verité television, though that is certainly important.

Even more fundamental is the obvious fact that in this series the pictures are serving the script, and not vice versa. One day, when television comes of age, we – or our children or their children – will see the arrival of thinkers whose natural mode of expression is pictures-plus-sound. The only example of this sort of person that I know about so far is Dennis Potter, and his métier is of course drama. Natural television thinkers will eventually arrive in documentaries and current affairs, though no doubt they will be resisted and reviled, partly out of instinctive conservatism and obscurantism, but mainly because all thinkers and opinion formers so far owe everything they have to print. But come they will.

Meantime, the most effective way of making programmes in this area is for the thinker/wordsmith to develop his thesis in conjunction with a producer who will illustrate and extend his thinking with pictures, music and sound effects. Far too often nowadays what you see looks like a programme dreamed up by a producer who has employed a script writer to add the words almost as an afterthought.

That is never the impression with *The Midas Touch*, which is not to say, however, that producer/director Mick Csáky is a mere service agent to Sampson. Indeed, the first few moments of Programme 1 contained a wonderful example of the television director's art when Csáky vividly encapsulated Sampson's point about money becoming the new religion by panning up past the perpendiculars and the brilliant stained glass of a cathedral and panning down past brilliantly illuminated screens to the floor of Sanyo Securities' vast dealing room, having imperceptibly mixed through from one to the other while pointing at the ceiling. The effect was to transport us as though by magic from Salisbury to Tokyo and from Christ to Mammon.

The second point to be made is that there are chilling parallels between Sampson's English documentary series and Tom Wolfe's mighty American novel, *The Bonfire Of The Vanities*. Both are concerned with the manner in which the pursuit of money, almost for its own sake, became respectable during the 1980. Both are concerned with the ineffectiveness of the supposed "trickle-down" process. Both are concerned with the growth of an underclass. Both are concerned with racial divisions. Above all, both seem pessimistic and even fearful about the ultimate consequences of making greed respectable.

The third point is that the series must, surely, be fascinating for many of the FT's regular readers because its central concern lies so very close to the heart of this newspaper. The opening programme (with its vivid illustration of the philosophy of the corporate raider provided by Sir James Goldsmith under full sail against GoodYear in the US) is the best in the series. The second dealt with Japan's recent ascendancy, making out a good and – once it has been pointed out – seemingly obvious parallel between Victorian Britons (ant-heap workers, men in clubs, women ruling the domestic roost, the whole society dominating the world) and today's Japanese. Did you know that the top ten banks in the world today are all Japanese? Yes, well, I suppose you would.

This week's programme considered money and art, next week's looks at Shanghai and Hong Kong, the fifth investigates debt from individual "debtorholics" in the US to Third World debt, and the sixth attempts a global overview as the gap between the richest and poorest keeps on increasing. In this final episode Sampson declares "It is the tyranny of the market place much more than the tyranny of imperialism on which the future of Ghana depends."

Nobody should conclude from this that Sampson is an implacable foe of capitalism. In next week's programme, which contrasts the decline of Shanghai under the Chinese communists with the rise of Hong Kong at least partly under the refugees who fled Shanghai after Mao's revolution, Sampson insists that "Aggressive entrepreneurs are always the agents of change. It's the businessmen in the end who are the real revolutionaries."

Yet the most important implication of Sampson's argument, if I understand it, is that the modern trading system, as organised in Tokyo, London and New York – with its reliance on computer systems, and the increasing speed at which it sends ever vaster quantities of money around the world, using the very movement of that money to make more money – is growing more and more remote from the physical realities in which "markets" used to be based. Ghana's success in increasing its cocoa crop fails to help the economy because Ghana has no control over competitive cocoa prices which are decided on the Futures Exchange in London.

Watching this final programme with its incredible "Jingle Bells" sequence in Japan, its scenes of cocoa farming in Ghana, and the claim from John Reed, Chairman of Citicorp/Citibank that the societies of just 800m of the world's population are "bankable" while those of the other 4.2 billion are "unbankable," all accompanied by Sampson's remarkably sane script, you remember just how fluid and effective good television can be.

* Anthony Sampson's excellent book *The Midas Touch* (Hodder and Stoughton, £15, 212 pages).

Christopher Dunkley

Tally's Blood

TRAVERSE THEATRE, EDINBURGH

Italian ejaculations abound in Glasgow's current Pirandello. Now Edinburgh takes up the refrain, but more legitimately. This "love story" (her description) by Ann Marie Di Mambro, the Traverse writer in residence, looks at that very Scottish urban phenomenon, the immigrant Italian shopkeeper. (In Edinburgh alone cultural sponsorship and artistic enterprise show how different these Caledonised Latins are from the "diavolo incarnato" of the traditional "Inglese italianizzato.")

Miss Di Mambro's family saga is sentimental, warm-hearted and unashamedly tear-jerking. She spins a good yarn covering the years 1936-1955 which includes (gentle) racial prejudice, love, wartime bereavement, internment, tug-of-love separation and elopement. It would be sad if her gifts were channelled into soap-opera – however superior the soap – for which she shows the right facility, since besides her primary emotional colours, she occasionally dabbles in moral half-tones of interesting ambiguity.

These are found mainly in Rosinella, the childless wife of Scots-based confectioner/ice-cream vendor Massimo. "Tally's blood," incidentally, is raspberry sauce, or Italian's blood as it was known to generations of pre-war Scots children. They rear their motherless baby niece Lucia until her inevitable summons back to an Italy she scarcely knows, for an arranged marriage. The dotingly indulgent Rosinella is unshakeably convinced of Italian superiority. Her unconsciously cruel dismissiveness to the locals amorously involved with her family is finally too much even for her husband. It takes the revelation of an abortion to melt her, after which she lays on the good will, Scrooge-like, with a trowel. The play continues well past its natural climax with a jokey trip to Italy and a not too convincing reunion for Lucia, stranded in a land without baths and lavvy-pans, and faithful wee Hughie from the shop.

The effect is engaging if skimpily characterised (how can such a hopelessly spoilt child like Lucia have the self-possessed common sense Blythe Duff endows her with?). The play avoids the whimsical cosiness of a Bill Forsyth, though steering horribly close to Scouse pawkiness in a scene where the two children, played by adults, become blood – or rather ginger beer – brothers. Ian Brown's strong production, on Ian MacNeil's set of free-standing archway with ropes of glass-beads, demarcation between public and private in the shop, fields an equally strong team dominated by Anne Downie's wonderfully accented blend of Scottish-Italian as Rosinella. Paul Nivison (a bright-eyed, vulnerable puppy as Hughie), Grace Glover (the girl whose Scots-Italian lover is killed in the British army) and Stewart Preston's almost too kindly Massimo keep from over-sweetening the mild pill. We await stronger stuff, leaving the heart intact but stiffening the sinews, in Miss Di Mambro's next.

Martin Hoyle

ARTS GUIDE

February 2-8

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).

Jeffrey Bernard is Unwell (Apollo). Brilliant performance by Peter O'Toole as an alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs (437 2663).

A Little Night Music (Piccadilly) Fine revival by Ian Judge, imported from Chichester, of Sondheim's 1973 schlagobers version of a Bergman film. A beautiful score, composed mostly in waltz time, is touchingly performed by Lila Kedrova, Dorothy Tutin (her best work in years), Peter McEnery and Susan Hampshire (867 1118).

Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support (867 1116).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its back-stage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Winter's Tale (Goodman). Frank Galati directs a production that spans the ages, interpreting Shakespeare as running from Ovid and television. Ends Feb 17 (443 3800)

I'm Not Rappaport (Briar St). Shelley Berman, one-time standup comic, now plays Nat, Herb Gardner's memorable Central Park character who gags his way through the 1986 Tony Award winner. (348 4000).

The Good Times are Killing Me (Body Politic). This City Lit production of Lynda Barry's first play captures an American childhood with poignant zaniness (871 3000).

Tokyo

Kabuki. Kabuki-za. Performances at 11am and 4.30pm. Of the three pieces in the matinee, the most famous is *Funa Benkei (Benkei in the Boat)*, which is set on a kabuki version of a noh stage. The evening programme features two short dance pieces and a full-length drama, *Sannin Kichiza (Three Men Called Kichiza)*, an amusing and action-packed genre piece about three bandits who all have the same name. Earphone guide in English. (541 3131).

National Noh Theatre. The noh play Tomoe, written by Zeami in the 14th century, is performed together with a kyogen comic interlude (Wed 1pm). (423 1331).

Le Recit de la Servante Zerline. The great Jeanne Moreau makes her Tokyo debut in an adaptation of Herman Broch's story about an elderly maid and her memories of unrequited love, In French. Theatre Apple, Shinjuku (661 6581).

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Gorbachev's Rubicon

WHICH MIKHAIL Gorbachev will emerge from the central committee plenum? The question is little clearer in the Soviet Union than it is in the West: it may, indeed, not be clear to Mr Gorbachev himself.

It might be the man – visible in his speeches – who wants to modernise, democratise and restore the prestige of the Communist Party of the Soviet Union (CPSU). It might be the man who wants to construct a late 20th-century Leninism open to external ideas, uninterested in revolution abroad, but centrally concerned with the preservation of communist power and the maintenance of the Soviet Union in its present form: an enlightened autocrat, presently good for the West, even better for eastern Europe, but an autocrat never the less, whose democratic limits will soon become clear.

The other Gorbachev – also discernible in his speeches – is a man who knows that neither the Communist Party's monopoly nor the Soviet Union can be held together, and who is groping his way towards a politics which will allow both to dissolve peacefully, within the limits which his position and the power of the apparatus allow him.

Both Gorbachevs were evident in his speech to the plenum on Monday. He said that "the party can exist and play its role as vanguard only as a democratically recognised force." This means that its "status should not be imposed through constitutional endorsement" and that it will give up "any legal and political advantages, offering its programme and defending it in discussions, co-operating with other social and political forces." This seems clear enough. Mr Gorbachev is paving the way for multi-party democracy, as he half-suggested in remarks in Lithuania last month.

Decisive role

Yet the speech threw bones to the conservatives as well. The parties with which the CPSU would co-operate must be loyal to a constitution and social system which is firmly socialist. The "decisive role" in the coming elections "belongs to the communists," he said. He attacked nationalism – varieties of which, in Lithuania and elsewhere, have already taken deep roots and threaten independence – and warned, ominously, that those who fell under its influence "will find themselves outside of political life."

Mr Gorbachev is caught in a vice. The deteriorating economic situation has caused a reaction, led by Mr Nikolai Rhyzkov, the prime minister, towards a reassertion of the command-administrative system which radical economists say is worse than that of the Brezhnev years. Yet at every level the CPSU is rejected by the people and everywhere new political groups are being formed.

Party factions

A common calculation is that the party will barely stay united until its Congress – brought forward to June or July – but will afterwards fall apart into at least a radical and a conservative section. Multi-party democracy will in any case already be a reality in the Baltic and perhaps elsewhere, following elections.

In a society where politics informs everything, it is hard to see how a new centralism in economics can be combined in a new democracy in party and society. Something has got to give, probably soon. Either the momentum towards pluralism continues, with a necessary release of the economic levers at the centre and thus a growth from below of market relations – or a new authoritarianism will have to seek to establish itself, with or without Mr Gorbachev at its head.

His plenum speech, and the muffled squeals of the anti-reformists, suggest that he continues to tack and veer his way along the reforming route as best he can. For all the ambiguities of his positions and pronouncements, for all the ugliness which the assertion of Soviet power – as in Baku – calls up, for all the continued rhetorical reliance on a bankrupt tradition of Marxist-Leninism, Mr Gorbachev remains the best hope of securing democracy and civil freedoms within the Soviet Union – if only the right Mr Gorbachev will stand up for what he seems to believe in.

A new approach to justice

THERE IS plenty to welcome in the UK Government's criminal justice white paper. Mr David Waddington, the Home Secretary, is suitably sceptical of the efficacy of custodial sentences. Nobody, claims the white paper, now regards imprisonment, in itself, as an effective means of reform for most prisoners. It therefore proposes a big shift towards punishment in the community. No doubt the Government hopes that a reduction in prison sentences will also reduce the cost of criminal justice, which is running at £7bn a year, a 77 per cent increase in real terms over the past decade.

The paper sets out a fresh legislative framework for sentencing, based on the concept of "just desserts." The aim is to bring about a closer link between the severity of punishment and the seriousness of an offence. This means ensuring both that serious offenders receive suitable punishments and that sentences served bear a closer relationship to sentences given. Mr Waddington wants all prisoners to serve at least half of their sentence; at present, many are released on parole after serving only a third of their time.

In exploring the use of non-custodial sentences, the white paper sensibly proposes that courts use fines more imaginatively. Fines are potentially an effective means of punishing offenders without encouraging dependency. But to be just, they must bear a much closer relation to an offender's means. The Government tentatively suggests that the unit for assessment could be weekly disposable income. Thus if an offence warranted a fine of 10 "units" an offender with a disposable income of £100 might pay £1,000 whereas an offender with a disposable income of only £10 might pay only £100. This would be a radical but worthwhile change in policy.

Diminished self-reliance

The planned promotion of other forms of non-custodial sentence will be widely welcomed. Imprisonment of any kind, says the white paper, diminishes self-reliance and reduces an offender's sense of responsibility. Far from reforming characters, it provides unparalleled opportunities for the learning of criminal skills: two thirds of young prisoners and nearly 50 per cent of adult prisoners are reconvicted within a couple of years of release.

Punishment in the community will be a better solution in the majority of cases. The Government, by emphasising the cost of custody (more than £12,000 a year for the average prisoner) appears to imply that non-custodial punishment will be a cheaper option. This may be the case, but it would be foolish to skimp on resources. If ministers are serious about reducing recidivism, they must ensure that high-quality non-custodial schemes are developed. Challenging forms of community service, coupled with attempts to make offenders come to terms with the suffering they have caused, may reform characters. Electronic tags and curfews, in themselves, are likely to have few positive effects.

Flawed policy

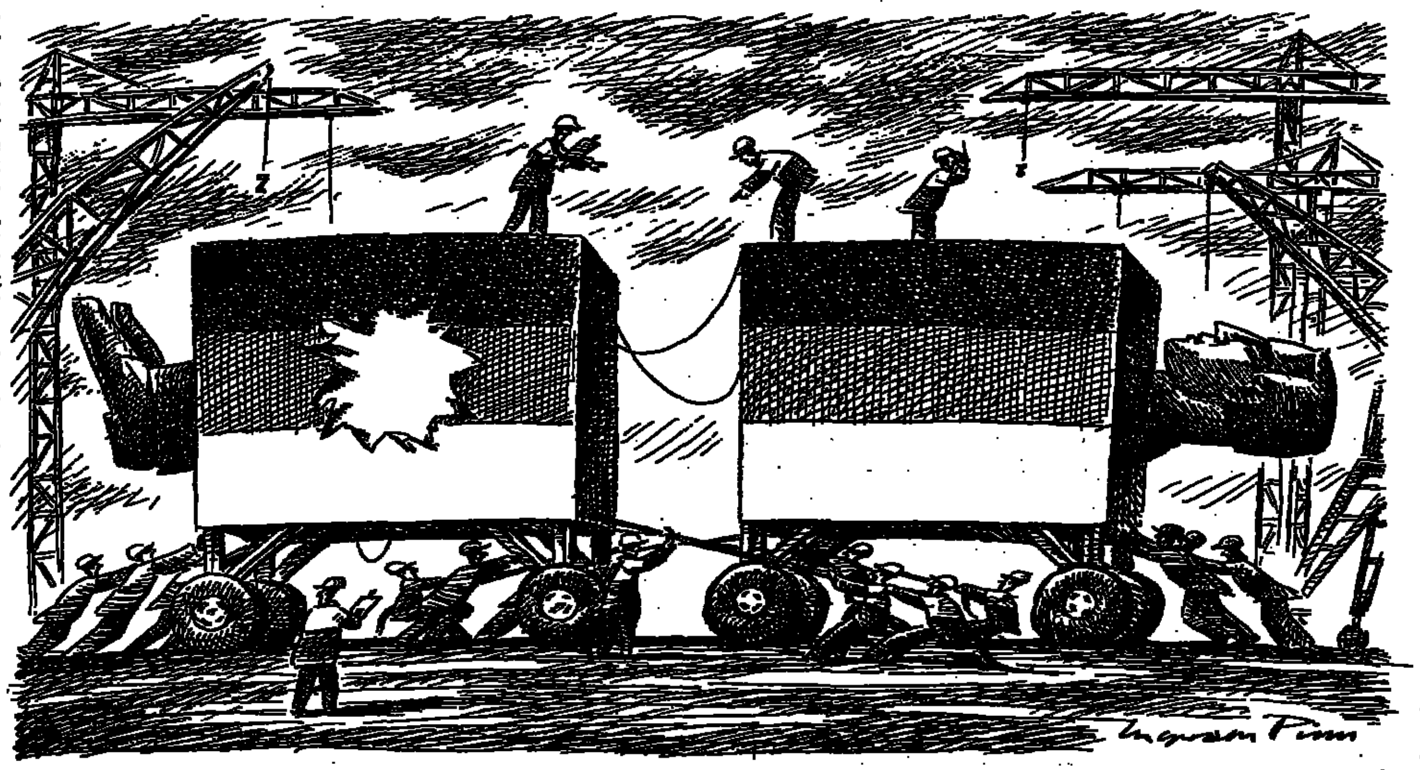
The Government's overall policy is flawed in two important respects. The paper puts too much emphasis on retribution as a rationale for punishment. This is what justifies the call for even longer prison sentences for the most serious crimes. Yet if anybody needs rehabilitating, it is the hardened criminal. Mr Waddington admits that traditional prison sentences can achieve little or nothing in this respect. So at present he is committed to a policy which he knows does not work. Some way must be found of injecting a larger element of education and community service into the sentences for serious crimes.

The other problem is that the Government has predictably rejected the idea of creating any form of sentencing council or body which would allow non-judges to exert an influence on sentencing policy. It remains to be seen, therefore, whether judges and magistrates will pay much attention to Mr Waddington's recommendations. History suggests they will go their own way. Sentencing policy is thus likely to change only very slowly; meanwhile, the prison population may rise further as inmates wait longer for parole.

David Marsh begins a series on the process of reunifying the two Germanys

Ready to roll on the road to unity

History teaches that Hitlers come and go, but the German people and the German state remain
Joseph Stalin, 1942



Hitler's last legacy – the division of Germany – is fading at unstoppable pace. Through a process of accelerating political, economic and human contacts, the two German states separated for four decades in opposing power blocs are growing together again.

The campaign leading up to East Germany's March 18 general election – the first fully free vote in eastern Europe since the post-war Communist takeovers – marks the countdown to German reunification.

As the threat increases of East Germany's economic and social collapse, the state which once literally fenced itself off from the West has now become awash with black-red-and-gold flags proclaiming the urge for national unity.

Anticipating the street fervour once polling results come in, one western ambassador in Bonn believes that bulldozers will be out in Berlin on the night of March 18 to demolish further sections of the Wall. Jokingly, he refers to his embassy now as "on the eastern front." And, referring to the build-up of momentum, he warns: "We have much less time than anyone thinks."

Three months ago the East-West German border was the world's deadliest frontier, fortified by chrome-nickel barbed wire supplied by West German companies at DM5 per metre. Now, everyone and everything is streaming across.

The eastward tide includes sex shop catalogues, buses full of West German investment bankers looking for factory and hotel sites, and tourists thirsting to drink Thuringian beer at one-eighth the price in the Federal Republic.

Thousands of West German businesses are examining co-operation and joint venture possibilities. Four big West German publishing groups have just signed an accord to market advertising spots on the once-Stalinist East German television.

Swirling westwards is an undiminished exodus of dissatisfied East Germans leaving for the Federal Republic. The emigres confront East Germany with a vicious circle of dislocation, discontent and decline – and are also possibly storing up social tensions for the rich West.

A total of 344,000 departed last year. Confounding forecasts that emigration would soon taper off after the November 9 breaching of the Berlin Wall, 63,000 East Germans have come to settle in West Germany since the beginning of the year – more than in 1987 and 1988 combined.

Unity – the Federal Republic's overriding goal set down in the 1949 constitution – has been made feasible above all because West Germany's prosperity and stability are exerting an overwhelming magnetic force. But the Bonn government is showing no outward signs of triumph.

The process will bring huge additional economic burdens and political responsibilities. And it may spark a crisis of confidence with Bonn's western allies over how unity can be reconciled with a structure of military alliances which has preserved peace in Europe since the Second World War.

With an eye on the emigration flow, Chancellor Helmut Kohl warned at the weekend that the position was "unusually grave." One senior official in the Bonn Chancellery half-whimsically counters western worries that the combination of the two Germanys will produce an over-dominant economic giant. In fact, he says, welding together the two states involves "enormous problems."

Since productivity and living standards in East Germany are around half those in the West, economic harmonisation can hardly take place overnight.

Simply bringing together the tax, legal and social systems will take years. One of the best ways of encouraging East Germans to stay to reconstruct the economy, he muses, would be to put up large signs around the countryside with messages such as "BMW is building here."

Discontent in East Germany over four decades of Socialist Unity (Communist) Party (SED) rule has been exacerbated by disclosure during the past three months of the full extent of the state's plight. Particularly devastating have been the revelations about pollution damage.

As a result of emigration, strikes, and export shortfalls, the East Berlin Government admitted this week that economic output might decline 4 to 5 per cent this year. Such openness would have been unthinkable before the opening of the Wall.

Even this dire forecast may turn out to be a substantial underestimate. Factories in some parts of the country are reported to be only between four and eight weeks away from closure in view of shortages of supplies and labour.

The Communist Party's unpopularity represented one reason why Mr Hans Modrow, the East German Prime Minister, put forward last week his "Fatherland" proposals for a unified neutral German state. The suggestion of German neutrality, which came one day after Mr Modrow met Mr Mikhail Gorbachev in Moscow, has the potential to unsettle Bonn's relations with the rest of Nato. But Mr Modrow's main reason for putting it forward was probably to diminish the appeal of pro-unity East German Opposition parties, led by the Social Democrats, which look likely to emerge as the strongest party in next month's voting.

During the run-up to the elections, the West German Government's attention will be focused on two prime challenges: to prepare concrete steps towards economic and political union with the East, and to reassure partners in Nato and the European Community that western ties will remain intact.

Both Bonn and East Berlin have a common interest in implementing quickly Mr Kohl's proposals for "confederative structures" between the two states. The plan, conceived in December as a way of paving the way gradually to full federation, now looks overtaken by events.

In view of the mounting unity clamour, the new East Berlin Government may be forced to put forward an immediate timetable for a merger with the West. It cannot be totally excluded that West Germany's federal elections, due in December, will be transformed into a poll for a united German parliament.

At the very least, joint parliamentary commissions are likely to be set up as soon as a democratically-elected East Berlin Government is in place. Mr Kohl is under growing pressure to decide some form of confidence-boosting monetary union with the East to halt the economic haemorrhage there.

Bonn is ready to extend the D-Mark to East German territory – a move which would end East Berlin's monetary sovereignty. But both Mr Theo Waigel, the Finance Minister, and the Bundesbank in Frankfurt, insist that East Berlin take comprehensive steps to liberalise prices and dismantle the state's four decade-old stranglehold over the economy.

To avoid triggering fresh emigration, unpopular moves like price increases and cuts in subsidies will have to coincide with measures to increase confidence, such as details of new western investment. Pleading lack of time, however, the interim East Berlin Government said this week it would be impossible to change the price system before next month's poll.

The debate over monetary links with the East will inevitably distract Bonn's attention from planned European monetary union. According to Mr Helmut Schlesinger, the Bundesbank's vice president: "We are facing calls from two sides – in the direction of (western) European monetary union, and also from East Germany. It is impossible suddenly to double the effort required – everyone's energy is limited."

Over Nato, West Germany faces a still more delicate balancing act. Since it joined the alliance in 1955, the Federal Republic has been unequivocally geared to the West for three reasons. The Soviet Union has been perceived as a serious military threat; the US has maintained undisputed western political and economic leadership; and Moscow has kept up opposition to German unity. The changing roles of both superpowers, and West Germany's own increased economic strength and assertiveness, has changed these circumstances.

Mr Modrow's neutrality suggestion last week followed Mr Gorbachev's admission that the principle of German unity was no longer "in doubt." Mr Kohl, backed up by Mr Gerhard Stoltenberg, the Defence Minister, has firmly rejected neutrality. Mr Hans-Dietrich Genscher, the Foreign Minister, prefers to call the concept "outmoded," and favours transforming both Nato and the Warsaw Pact into essentially political institutions which will form the pillars of a new European "peace order."

Mr Genscher has touched a popular chord by ruling out "extending Nato to the Oder-Neisse line" on the grounds that this would damage Soviet security interests. The Foreign Minister has pulled off a coup in the last few days by securing US backing for this.

But since the US and Britain are insisting that German reunification can only take place in the context of "continuing commitment to Nato," a reunified Germany will need, at the very least, to negotiate some form of special status within the alliance.

In the event of reunification, one of the most taxing tasks for Germany would be merging the 490,000 soldiers of the Bundeswehr and the 172,000-strong East German National People's Army (NVA). A significant number of soldiers and officers from the NVA have already applied to join the West German Bundeswehr.

The US Government favours keeping a strong US force – perhaps 100,000 men – in the western part of a united Germany. Washington believes that the Soviet Union would back such a continuing American troop presence. But, if pressure builds up after the March election for a withdrawal of the 380,000-strong Soviet forces in East Germany, Moscow would almost certainly demand a run-down of the American, British and French troops in the West.

The need to maintain a post-unification role for Nato will require intricate bargaining between West Germany and its its allies. In the debate over Germany's destiny, the West should not assume that public opinion in the Federal Republic – to say nothing of the newly enfranchised East – will be categorically on Nato's side.

There are already signs that patience is being tested. Mr Willy Brandt, the former West German Chancellor, who less than 18 months ago described the goal of "reunification" as "a living lie," now warns the western allies that failure to support unity strivings could unleash dangerous German nationalism. Mr Hans Tietmeyer, former state secretary at the Finance Ministry, now director for international monetary affairs at the Bundesbank, bemoans the West's scepticism about German unity and asks: "What more can we do to win their (the allies') trust?"

Mr Thomas Kielinger, editor of the liberal-conservative Bonn weekly Rheinischer Merkur, points out that the more the allies give the impression of blocking the road to unity, the stronger will be the Germans' doubts about their western links. "The Germans are always dangerous if they think they are misunderstood."

An opinion poll last year indicated that 71 per cent of the West German population agreed with withdrawing all foreign troops from East and West Germany as a precondition for reunification. According to a new poll published by the daily newspaper Bild 57 per cent of the population would accept neutrality if it opened the door to unity.

As the result of its 40 years of success, West Germany may now feel more comfortable about loosening western military ties than when Stalin put forward his celebrated 1952 proposition for a unified neutral Germany. Unification has suddenly come into sight – but the conditions under which it will take place are still far from clear.

This series will continue on the Foreign Pages.

Big people don't fail

■ Sir George Blunden, the departing Deputy Governor of the Bank of England, was in historical mood when we talked to him on Monday. He reflected on the crises which the Bank has had to resolve from Barings in 1891 to Slater Walker, where there was a formal announcement of winding up this week, and the Johnson Matthey Bank where the last details are not due to be settled until the year 2010. And he recalled that when he was at the Bank in the 1960s, two of the items he had to round off dated back to the 1920s.

Blunden sees a certain continuity in this. The Bank comes to the rescue when it has to. It bears the precedents in mind, learns from experience and each time does a little bit better than the previous one.

In the case of Slater Walker, he says that the objective was to prevent the setback to the Euromarkets in London that would have come about if a London bank had been a major defaulter. As for the rescue of Edward Bates, the fringe bankers, the company had a considerable involvement with the Arab world. "That was very important," says Blunden, which was why the Bank stepped in.

On Johnson Matthey, he leaves no doubt. "We had to save the London gold market. There would have been a real American gold market, if we had not."

Looking further back, Blunden describes two high periods of industrial rescue acts: the early 1930s and the early 1980s. In each case, there was a significant recession and a non-interventionist government. In the 1930s the Bank helped to bring together Vickers Armstrong. In the 1980s its rescue policy was at its height in 1981-82. In 1981 it had 25 companies seeking its advice on how to survive. The number went down sharply after 1982 as the economy recovered.

OBSERVER

That is the sort of economic indicator one would dearly love to see. Blunden says only that it once went down to one and is currently running at around three or five.

He does not see any great banking upsets on the British horizon. "There aren't any concentrations of lending comparable to the secondary banking crisis of the early 1970s or to when lending to the third world was being over-extended in 1982."

The Banking Supervision Act of 1979 has been a great help because the Bank knows more about what is going on, and knows it time to act. Nowadays, says Blunden, the Governor's speeches should be interpreted as "school-mistressly warnings – not worth the front page of the Financial Times." Besides, he adds: "The big people don't fail. We never worried too much about Midland and Crocker."

Sold out

■ Judging by the calls to this office yesterday, the Hungarian castles, mentioned in Tuesday's Observer, must be well on their way to being sold. But if anybody else wants to know, the telephone of World Link, which published the originalarticle, is Geneva 732 64 54.

International

■ David Thompson, the new chairman of Rank Xerox (UK), started work in the Colonial Police in what used to be Northern Rhodesia. He says that he does not talk about that much nowadays in case it gives the wrong impression. But the job appears to have left him with a career-long interest in Africa.

Although the appointment is only being formally announced today, Thompson has already been in the chairman's seat for a week or two. Rank Xerox has a fairly strict policy about retirement ages. Sir Derek Hornby, the previous chairman, was 60 in January and retired at the end of the month. Thompson was 58 on almost the same date and expects to have no more than two years in the job.

"Our teacher shortage is so bad, the School Inspector had to take today's lessons."

The novelty is that, as well as being chairman, he will keep his previous regional responsibilities. Those include looking after Eastern Europe, the Soviet Union, Africa, India and Iran.

After the Colonial Police, he took a job in mining, based in what is now Harare. He moved to IBM, and has been with Rank Xerox since 1965. His original field, he says, was selling and marketing. But he got into management early when he became general manager of Rank Xerox in Holland in 1967. Since then, he has had spells at running the Rank Xerox operations in most parts of the world, including the whole of Latin America.

He tells an interesting story about Africa. In 1987, the company got out of South Africa, largely under the pressure of economic sanctions. It kept a distributing arm there, but no more. In the last few years, there has been what he calls "significant growth" in the rest of Africa. Rank Xerox studied the foreign aid programmes and how it could fit in with them: there should be more growth to come, Thompson says.

But the key priority in the next few months – "Sorry," he corrects himself, "weeks" – is Eastern Europe. Rank Xerox has had a presence there for 25 years. The company does not want to lose it to new sources of competition.

Thompson laughs when asked what he does when he is not working. "Infrequent tennis and dog-walking." He has a poodle and a Cavalier King Charles, who happen to get on together. Today, he is at a board meeting – in Kenya, of course.

Welsh ways

■ Peter Walker takes time out on Saturday from Welsh and other constituency affairs to play host to Vadim Andreevich Medvedev, member of the Soviet politburo and confidant of Mikhail Gorbachev.

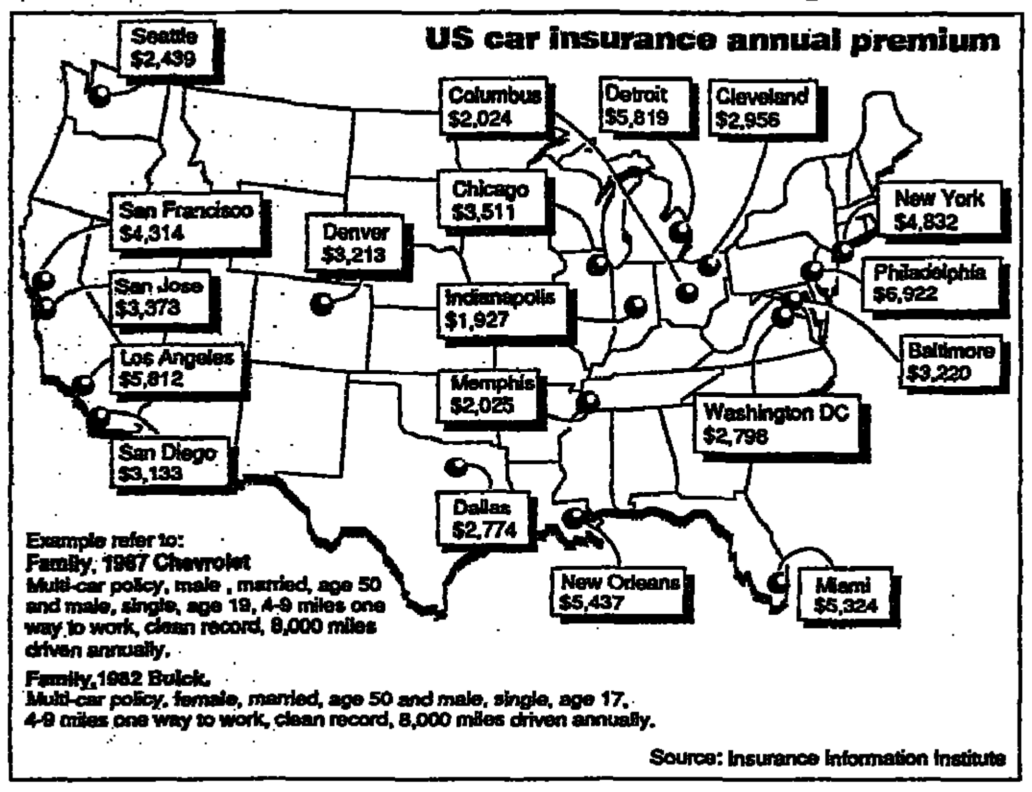
Medvedev arrives in London today with a 23-strong party as guests of the Inter-Parliamentary Union to look at our parliamentary life. After two days in the capital, they head for Wales to explore the theory at constituency level.

One of the constituencies they will visit is Merthyr Tydfil, seat of the former Foreign Office Minister, Ted Rowlands. At the last general election he had a majority of over 28,000, and it is said that they weigh the votes rather than count them. Just like the old place. Walker will explain all.

Bad taste

■ Scrawl on the wine list at a Hampshire inn: "Don't order the Beaune. I wouldn't give it to a dog."

Patrick Cockburn reports from California on the effects of the revolt over car insurance premiums



Proposition 103's wide shadow

Ever since Californians voted for a sweeping reform of car insurance, known as Proposition 103, in November 1988, insurance companies have fought a long rearguard action to stop or at least dilute the measure.

Even by Californian standards the volume of litigation is impressive. At the end of January the State Supreme Court in San Francisco was considering whether insurance companies could withdraw from California. Nearby in San Bruno another 100 lawyers were arguing before a judge over the companies' legitimate level of profits.

Ms Roxani Gillespie, the California insurance commissioner was at neither event. She was attending a third hearing in Los Angeles about the future of the insurance pool, now $600m in debt, through which drivers rejected elsewhere can get insurance cover.

Since premium rates have not fallen, Californians are becoming cynical that anything will emerge from 103. In this they are probably wrong. The success of the initiative puts insurance at the centre of the stage. This change in the political scene makes it unlikely that the insurance companies will escape greater government control. It will constrict earnings in the property/casualty market for the rest of the decade.

The intensity of the present conflict in the courts is in keeping with the original struggle in 1988 which turned out to be the most expensive campaign in a single state in the history of the US. By the time Proposition 103 had triumphed (by 51 to 49 per cen) the insurance industry had spent $60m, California trial lawyers $20m and proponents of the measure $2.4m. The previous record for a single state campaign was $13m.

The size of the expenditure is a measure of the importance of the issues. At stake most immediately is the $9bn of premiums paid annually by 13.1m Californian car owners. But the conflict also threatens the $30bn Californian property/casualty business. Nor are its effect limited to California. Car insurance rates have now become a hot political issue across the US from Nevada to New Jersey.

In California itself the most important section of Proposition 103 is turning out to be the section requiring that the insurance commissioner stands for election in future.

Whatever the outcome of current legal battles it is unlikely that any candidate – Republican or Democrat – will want to carry the onus of having raised car insurance rates. It is this which may make the deliberations by lawyers and judges over the last fifteen months ultimately redundant.

Proposition 103 called for all insurance rates to be rolled back to where they were on November 8, 1987 and then reduced by an additional 20 per cent below that level. Good drivers would get an extra 20 per cent discount.

Even before the initiative was passed, medium-sized companies, like Mercury General in Los Angeles, had argued that it would be driven into bankruptcy by the cuts in its premiums. Others strenuously deny that they possess any hidden profits, as contended by Mr Ralph Nader and Mr Harvey Rosenfield, the leaders of Voters Revolt, the consumers group which got 103 on the ballot and then campaigned successfully for its adoption.

But in the long term the extent of the underwriting profits or losses of companies insuring cars in California are unlikely to determine the issue. From the point of view of the California consumer, car insurance has become decreasingly affordable and available in a state where ownership or access to a car is essential to get to work.

In Los Angeles the premium for a couple with two cars and a clean driving record is about $2,500. In the largely black Mission district in San Francisco one independent insurance broker told Ms Gillespie companies were averse to writing motor policies for anyone from the area. As a result some 27 per cent of California motorists are believed to be uninsured, the rate rising to 50 per cent or more in the poorer districts of Los Angeles.

Not that resentment is confined to the ghettoes. In Beverly Hills the average annual premium is $2,744 and one of the surprises of the 1988 campaign was the backing for 103 in better off neighbourhoods.

Mr Harvey Rosenfield, chairman of Voters Revolt, says that support for a reduction in premiums and greater state control of the insurance industry embraces all social, ethnic and political groups. Although 103 originally only passed by a slender 51 per cent a recent poll showed support now at 64 per cent.

Could the insurance companies have avoided their present difficulties? Resentment at the level of motor premiums long predated the vote in 1988. Insurers had argued that their rates simply reflected excessive awards by the California courts. In the US as a whole overall losses for each car insured grew 94.9 per cent between 1980 and 1988, well above the 79 per cent increase in average premium according to the Insurance Services Office.

As a result the industry argues personal car insurance produced operating losses of $2.4bn over the same period.

The solution to this preferred by insurers was a no fault system which provided compensation to the injured regardless of who was at fault but also set a threshold under which no lawsuit could be filed. Theoretically attractive, no fault insurance has never produced the benefits hoped for by the industry. In most states where it has been adopted the threshold was set so low, or it was so riddled with loopholes, as to be of limited use.

In retrospect most insurance companies who contributed to the 1988 campaign now see it as a disaster. By targeting Harvey Rosenfield and the Voters Revolt campaign they ensured that it received massive publicity. Hopes that the State Supreme Court would throw out 103 died last May when it confirmed most of its provisions, though assuring the insurers that they had the right to make a fair return on their money. Just what this means is the subject of the current deliberations in San Bruno.

Yet even among the massed ranks of lawyers working for the insurance industry a certain cynicism has begun to creep in about the extent to which their deliberations would influence Ms Gillespie's final decision on the implementation of 103.

In the run up to the election of a new Insurance Commissioner in November, Mr Rosenfield's latest initiative is to put forward a new initiative proposing government run car insurance along the lines of the system already operating in British Colombia.

The problem for the insurance companies is that the mood of California, and perhaps the US, as a whole has turned against the regressive taxation of the Reagan era. Proposition 13, which reduced property taxes at the cost of reduced public services, is under attack.

Unfortunately for the insurers, motor insurance – charging more in the ghetto than in the suburbs – is regarded as the regressive tax *par excellence*. The passage of 103 showed that Californians see mandatory insurance as a tax and expect to be able to exercise a degree of popular control over it.

Given that California is 15 per cent of the US property/casualty market, insurers do not have the option of simply pulling out. Instead they have to live with the prospect that the impact of 103 will continue to politicise the issue of insurance there, and across the country.

Pollution charges

Rational plans for saving the planet

By Wilfred Beckerman

Pollution charges seem to have become respectable at last. But in the early 1970s they were widely condemned as "a licence to pollute." In 1972 Lord Zuckerman and I wrote a minority Report to the Third Report of the Royal Commission on Environmental Pollution proposing pollution charges instead of the usual controls as a means of protecting the environment. Not one of the other members of the commission would join us. Opposition to such a shocking suggestion came not merely from extreme environmentalists but even from officials, as if their direct controls were not licences to pollute up to the permitted amount – and free of charge at that.

Nevertheless, over the last few years many other countries have introduced some form of market mechanism to deal with certain forms of pollution. Whatever principles are adopted the obstacles to their incorporation in international agreement may be insuperable. But the difficulties are needlessly increased when, as is usually the case, the negotiators are applying the wrong principles to start with in an attempt to get agreement on uniform quantitative controls.

Incorporating market mechanisms in international agreements will require careful thought. But we do have time to think and to devise rational policies. Much of the hysteria over global warming is based on shaky evidence – as was the 1960s scare that the world was on the brink of a new ice age. There is need for vigilance and for policies to protect the environment, but there is no need for panic-stricken attempts to cobble together draconian international quantitative controls that are not only unnecessarily costly but unacceptable to most developing countries.

Pollution charges, in particular, have several attractions. First, they improve resource allocation at lowest cost. They ensure that pollution is reduced most in firms that can reduce it at least cost. And they provide firms with a continuing incentive to reduce pollution, in the same way that the pricing of labour or capital or raw materials provides firms with a continual incentive to economise in their use.

Second, since pollution charges are not designed to change the overall pressure of demand in the economy, they should not be allowed to affect the budget balance. So the receipts from pollution charges should be offset by reductions in some other taxes. And other taxes generally distort the allocation of resources. For example, they distort the choice between work and leisure, or between investment in housing rather than other types of saving. Hence, if some of the revenues from pollution taxes are used to cut other taxes (or moderate the increase in taxes that would be needed to carry out long overdue environmental improvements), there is a double gain.

Third, one of the obstacles to international agreements in this field is the tendency for officials to try to apply internationally the same type of uniform quantitative controls that they are accustomed to implement domestically. Yet the economic principles underlying the pollution charge demonstrate the absurdity of uniform environmental standards. For the pollution charge is based on the principle that polluters should pay for the damage that their pollution does to the environment. But damage to the environment by certain forms of pollution, such as effluents flowing into the sea, often depends on the location. Hence, it makes no sense to impose uniform standards on everybody.

Another obstacle to international agreement is the feeling among poorer countries that they cannot afford to make sacrifices now in order to improve the global environment for those who may survive to the year 2030, or for the benefit of rich countries which have been causing most of the pollution anyway. But if environmental protection is based on the correct economic principles, and not on quantitative controls and regulations, it should be easier to meet these objections.

This is not simply a matter of intellectual persuasion. It is a matter of concrete financial assistance. The rich nations could hand over a part of their revenues from pollution charges to the poorer nations in a manner that is related to the latter's pollution abatement programmes. For example, if a firm pays a tax for every unit of pollution that it emits, it has much the same incentive to reduce pollution as if it receives a subsidy for every unit by which it reduces pollution.

Rich countries could impose charges on their own polluters and hand over a part of the proceeds to poor countries to use to subsidise their pollution abatement in this way. This would be equivalent to linking some aid specifically to pollution abatement. After all, the citizens of the rich countries expect to gain from the global environmental protection as much as the poor countries. The fact that some of the pollution is produced in the poor countries is largely irrelevant to the equity question of who should pay to reduce it.

Indeed, whatever principles are adopted in the negotiation of international agreements to protect the environment, the economic principle of compensating losers in the interests of providing net gains for everybody should be respected. In spite of some widespread exaggeration, particularly about global warming, some governments have rightly refused to be stampeded into unjustified quantitative controls until the scientific evidence is clearer. But this breathing space should be put to good use. This means:

- Opposing well-meaning, but ill-conceived, plans to introduce drastic new direct regulations – whether domestic or international.
- Working out a framework in which pollution charges, or some similar market mechanism, can be incorporated into international agreements.
- Exploiting the possibilities that such a framework opens up for the richer countries to help the poorer countries in the long-run interests of the whole of mankind.

Mankind may be messing up the planet. But mankind also has the wit to devise rational policies to save it. At least I hope it has.

The author is a Fellow of Balliol College, Oxford.

LETTERS

More money is on South Africa

From Mr William Jamieson.

Sir, One wonders if Joe Rogaly ("The money is not on South Africa," February 2) would have been quite as pessimistic had he written after President de Klerk's speech on Friday rather than a few hours before it.

One interesting feature of the sharp rise on the Johannesburg Stock Exchange in recent months (with further substantial buying throughout Friday) has been the reversal of a steady and prolonged net disinvestment by overseas holders of South African equities to net positive investment from the second week of October last year. Clearly, to judge by the market, the money *is* on South Africa.

Mr Rogaly states that it is the effect of sanctions "that has done so much to stimulate the movement for reform being led by President de Klerk." This assertion has to be tested against the 31 per cent rise in the South African balance of payments surplus last year to R13.4bn, helped in part by a 16 per cent rise in exports to a record R58bn. Clearly someone, somewhere, is buying South African products in greater volume than ever.

To the extent that there has been a "sanctions effect" it is surely being felt less in Afrikaner Pretoria than in the black townships where sanctions have done much to slow the process of black empowerment. Employment is reckoned to be some half a million lower than would otherwise have been the case had not sanctions slowed the domestic economy, and as 80 per cent of job seekers are black, it is not hard to see where the well-intentioned liberalism hurts most.

Nor can sanctions be said to have contributed to progress towards a pluralistic political solution. Mr Rogaly says the flow of foreign investment will not return until there is a genuinely democratic constitution "and no nonsense about group (that is, tribal) structures upon which to base it." Yet the political crisis that has so gripped South Africa for years is precisely how to draft a constitution that respects the rights of different groups and cultures; in other words, a pluralist democracy rather than a simple "winner takes all" unitary state. And how, in such a unitary state, would an economy to enable the fulfilment of Black expectations and empowerment be allowed to flourish.

Never more than now does the West have to rethink carefully on whether the continuing of sanctions is helping or hindering what Mr de Klerk is seeking to achieve.

William Jamieson,
Little Orchard,
146 Worrin Road,
Shenfield, Essex

Goodwill: the search for a correct definition

From Mr Roger Martin-Fagg.

Sir, Mr Chris Goodwin (Letters, January 17) suggested that your editorial comment ("Accounting for Goodwill," January 10) incorrectly defined goodwill as "the difference between the nominal value of a company's assets as stated on its balance sheet, and the price paid for the company by somebody else."

Mr Goodwin states: "Goodwill is the difference between the purchase price and the fair value of the assets. The fair value will not be equal to the book value." But what is the fair value?

The fair value of an asset at any time must be the price which someone is willing and able to pay for that asset. It may be above or below or equal to the book value. In which case, your editorial comment is correct.

Roger Martin-Fagg,
Deputy Director,
Company Programmes,
Henley Management College,
Greenlands,
Henley-on-Thames, Oxfordshire

Privatise the education business

From Professor Peter Richmond.

Sir, One approach to the problem identified in your editorial comment ("An old fashioned curriculum," January 29) would be to privatise the "Education Businesses of the UK." The Government should then focus entirely on the objectives we seek from education with any subsidy from taxation targeted directly into the hands of UK students who seek to meet such objectives.

Peter Richmond,
AFRC Institute of Food Research,
Norwich Laboratory,
Colney Lane, Norwich

Back to the future

From Mr Kurt E. Reinsberg.

Sir, On page 15 of your issue of January 23 you said: "Canova made the statue (the Three Graces) around 1815 for the Duke of Bedford whose ancestors recently sold it (after offering it to the nation in 1982 for £1m)." My hat off to the ancestors of the venerable Duke and their ability to move back to the future.

Kurt E. Reinsberg,
58 Mamaroneck Road,
Scarsdale, New York

Position and prospects for invisibles in the balance of payments

From Mr Ken Coutts,
Mr Wynne Godley and
Mr Gennaro Zezza.

Sir, Samuel Brittan may be too optimistic about the present position and prospects for "invisibles in the balance of payments ("Economic Viewpoint," January 25).

Mr Brittan's expectation that the recent devaluation of sterling will boost overseas profits and dividends, though in itself correct, is partial to the point of being misleading since it is the (correct) expectation of devaluation which has been largely responsible for the high interest rates which Britain has to pay on her liabilities.

The recorded flows of property income into and out of the UK when expressed as percentages of recorded assets and liabilities at the end of each previous year have moved remarkably closely together during the last 10 years. The theoretical justification for this outcome is that differentials in rates of "return" are determined by expectations about the future movement of exchange rates. If such expectations were exactly fulfilled, rates of "return" measured in sterling would, *ceteris paribus*, be exactly equalised when measured *ex post*. The conclusion is that, in general, there are no grounds for expecting that a devaluation will improve, or even greatly change, the value of the net flows and incidentally that it does not matter in which currency borrowings or loans are made.

Mr Brittan expects property income to recover this year on the grounds that British profits will be hit by the developing recession. While it is to be hoped that any such fall will not be a permanent or growing source of improvement, the view is, once again, very partial since outflows of dividends are only about 16 per cent of total outflows.

Mr Brittan is quite right to point out that capital gains on overseas assets are part of the total return which are often overlooked. If we look at capital gains on our assets less capital gains (by foreign residents) on our liabilities the net result was to add £50bn to our net wealth between 1980 and 1986. However, since then there appears to have been no net gain at all and it would surely be unwise to count on capital gains to bail us out long-term.

This leads to the most important point of all. Mr Brittan may be wholly wrong in supposing that "Britain's net overseas assets held up well in 1989." As we argued in an article published on the Guardian on January 26 a plausible interpretation of the residual error in the balance of payments statistics is that official figures now overstate the stock of net wealth by up to £70bn. If this were the case the balance on invisibles would now be several billion worse than that officially estimated and Britain would be in serious danger of becoming a heavily indebted country within a few years.

The problem of indebtedness is not confined to the Third World. Denmark and Ireland both got into serious difficulties a few years ago because they failed to recognise the importance of eliminating their current account deficits early enough, with adverse and intractable consequences for living standards from which they have still not recovered.

Ken Coutts, Wynne Godley,
Gennaro Zezza,
Department of Applied Economics,
University of Cambridge

FINANCIAL TIMES
Wednesday February 7 1990

GERMAN UNIFICATION

Bonn proposes economic package

By David Marsh in Bonn and David Goodhart in East Berlin

THE West German Government, seeking ways to shore up the ailing East German economy, yesterday put forward a three-point plan to forge full economic and monetary union with East Germany before the end of 1992.

The proposals envisage a "far-reaching transfer of sovereignty" by East Germany, according to details put forward yesterday by Mr Helmut Haussmann, the Bonn Economics Minister.

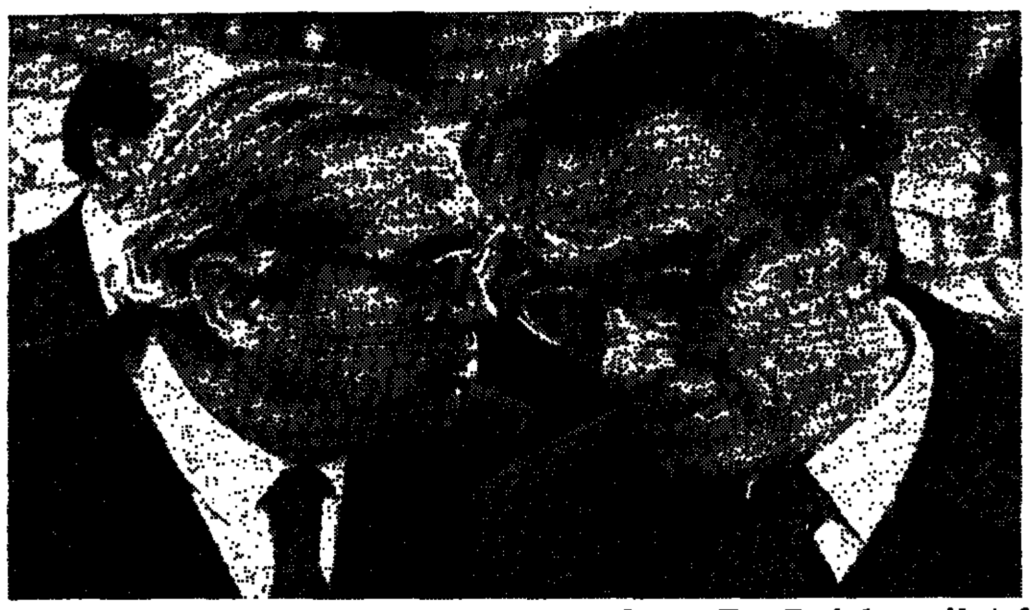
Bonn is making clear that East Germany must bring in economic liberalisation as a condition for an irrevocable link between the East and West German currencies. Chancellor Helmut Kohl, however, yesterday underlined the urgency of the monetary question by saying that the Government was prepared to enter "immediate" negotiations on a currency pact with the East.

Mr Kohl said his Cabinet would discuss the proposal on Wednesday.

Mr Haussmann said that East Germany needed to endorse a role for private capital, free prices and wages and and liberalise foreign investment as conditions for attracting foreign capital into the country.

Mr Karl-Otto Pöhl, president of the West German Bundesbank, yesterday dampened speculation about an imminent currency union with East Germany after talks in East Berlin with Mr Horst Kaminsky, president of the East German central bank.

Both presidents agreed that monetary problems were only one aspect of East Germany's economic plight and that monetary reform should be one part of broader economic reform.



Karl Otto Pöhl (left), head of the West German Bundesbank, meets Horst Kaminsky, president of the East German state bank, for talks in East Berlin yesterday

But Mr Pöhl stressed that currency union was still "a while" off and said that a step-by-step convertibility of the East German Mark should come first. He is also against introducing the D-Mark as a second official currency in East Germany.

Mr Pöhl said there had been no "negotiations" between the two central bankers but the two men had agreed on the importance of attracting Western capital.

Despite Mr Pöhl's coolness, the currency union debate will not die down and some sort of negotiations on monetary matters between the two Germanys are likely to begin after the East German elections next month.

Mr Wolfgang Berghofer, the Mayor of Dresden and one of East Germany's leading reformist politicians, yesterday tabled a staged move towards currency union. Ms Christa Luft, the East German Economics Minister, has also said that currency union is conceivable if supported by a referendum.

Even Mr Wolfgang Krebs, the general director of the East German central bank, was quoted in the West German daily Handelsblatt as favouring introduction of the D-Mark in East Germany. He later denied the report.

Mr Theo Waigel, Finance Minister, supported a currency union as long as it was linked to the introduction of a free market economy in East Germany and a clear agreement from East Berlin to hand control over its monetary policy to the Bundesbank. Neither he nor Mr Kohl mentioned a timetable for a currency union.

Mr Waigel said such a move promised strong prospects for the German economy in the medium to long term but stressed that short-term sacrifices were necessary.

According to Finance Ministry sources, Mr Waigel will soon unveil a supplementary budget of DM7bn ($4.2bn) to finance the first phase of West Germany's rescue of the East German economy.

Genscher seeks UK support, Page 2; Analysis, Page 16

W German orders increase sharply

By Andrew Fisher in Frankfurt

THE CONTINUING strength of West Germany's economy was shown yesterday by news of a sharp rise in manufacturing orders at the end of last year and a smaller-than-usual increase in January unemployment.

Because of the mild winter and the buoyant economy, the jobless figure rose by only 139,500 during the month to 2.19m. This was an "extraordinarily small increase," said Mr Heinrich Franke, president of the Federal Labour Office. The January unemployment rate was 8.5 per cent against 8 per cent in December. In January, 1989, it was 9 per cent.

The Bonn Government said it expected the positive trend on the labour market to continue in coming months, noting that the January unemployment total was some 143,000 less than the year before. Most sectors of industry were optimistic.

The figures for new orders released by the Economics Ministry showed a 5.5 per cent rise in December over the previous month. Domestic demand rose far more strongly, at 7 per cent, than that from abroad at 3 per cent. The figures are all seasonally and price adjusted.

Combining November and December to even out short-term fluctuations, the ministry said new manufacturing orders were 3.5 per cent higher in volume terms than in the same period of 1988 and 5.5 per cent higher by value.

US indicates support for Genscher plan

MR JAMES BAKER, the US Secretary of State, yesterday registered his support for a plan that would keep a reunified Germany in Nato but bar western troops from moving into what is now East Germany, Agencies report from Prague.

The proposal, advanced last week by Mr Hans-Dietrich Genscher, the West German Foreign Minister, would also allow Soviet troops to remain in the eastern region – at least initially.

"Genscher's proposal is a pretty good one," said a senior US official travelling aboard Mr Baker's aircraft to Prague. "It is a way of maintaining the Nato structure and not having Nato forces further east... This will help serve the future structure and maintain security."

Mr Baker yesterday held a 90-minute meeting in Prague with Mr Vaclav Havel, the Czechoslovak President, who presented him with a proposal for the total withdrawal of Soviet and US troops from Europe.

The talks, which Mr Baker described as "very productive", will be continued when Mr Havel goes to the US in two weeks time.

Mr Havel has already begun negotiations with Moscow about a Soviet troop withdrawal from his country. But he would also like to see a demilitarisation of the continent, with US troops pulling out of western Europe.

"He presented that and we discussed that very briefly. We will continue to talk about a whole host of issues," Mr Baker said.

The senior official on Mr Baker's flight said the drive towards reunification of the two Germanys has accelerated to the point that they are likely to begin a process of economic, political and legal integration after East Germany holds national elections March 18.

"The process of unification is taking place on the ground right now, and will continue to take place at a quick pace," the official said.

Mr Baker has given support to the general idea of reunification without publicly committing himself to any specific approach. He has stressed only that the country be in Nato and that it evolve in a peaceful, step-by-step way.

Mr Eduard Shevardnadze, the Soviet Foreign Minister with whom Mr Baker will open four days of talks in Moscow this evening has called for an international referendum, while expressing concern over "the revival of sinister shadows of the past."

Mr Baker discussed the German question for 90 minutes with Mr Roland Dumas, the French Foreign Minister, in Shannon, Ireland. While Mr Dumas did not specifically endorse the Genscher plan, "from the tone of it, it was very positive," said the official.

Today, Mr Baker is due to deliver a speech at Prague's Charles University. The official said he would outline a US role in helping Czechoslovakia open its markets and promise Washington's backing for Prague's membership of international financial institutions.

"He will focus on the major question facing Czechoslovakia – the process of moving from revolution to democracy," the US official said.

However, Mr Baker was not expected to offer any aid.

Genscher seeks support, Page 2

THE LEX COLUMN

German equities force the pace

Yesterday's 27-point fall in the FT-SE – the most decisive move for a fortnight – is a reminder of how equities are stilldominated by the world's bond markets. It is still unclear how far Japanese investors will support this week's US Treasury auctions. The outcome may well determine whether Wall Street and London can find a new floor around current levels.

German markets

So many bearish forces now seem to be playing on the mind of West Germany's bond market, where the bench-mark Government long bond yield is nearly banging its head on 8 per cent, that the recent steep run-up in equities there is looking plainly overdone. Not that the long-term case for West German shares is weaker. But the 10 per cent jump in the FAZ Index in the last fortnight suggests some unselective buying. It also looks like convenient amnesia about the inflationary pressures, like the forthcoming wage round, which were building up domestically even before talk of German reunification.

The news of December's 5.3 per cent monthly industrial order growth should have come as a harsh reminder, and of the chances of another Lombard rate rise. But the most important factor for the markets may be the sheer plethora of conflicting signals out of Bonn and Berlin about the precise way West Germany will cope with the process of merging its economy with East Germany's.

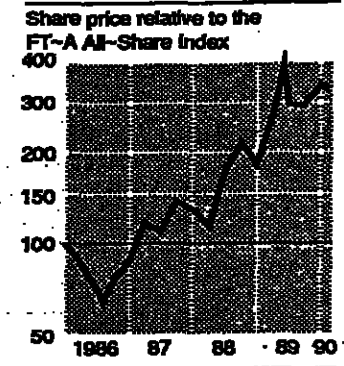
With monetary union apparently now so firmly on the political agenda, it is hard to see the bond market feeling much happier until it has an idea of how the trick can be done without either suddenly driving up inflation, or destroying the value of the Ostmark. Either way, the fact that some of the strongest German stocks yesterday were in construction, an old story, suggests it may not be easy to get equities going again after yesterday's marginal drop in the FAZ.

House prices

As the economy has teetered on the edge of recession, so the housing market has verged on collapse. Calamity has only been avoided so far because the impact of higher interest rates has been cushioned by the strength of personal incomes. But in parallel with the economy, the picture varies sharply between sectors. The news that Regalian is selling off £180m of properties on a 50 per cent deferred basis indicates the weakness of the Docklands market and of the "marzipan layer" in London's West End. Potential purchasers of such properties have not yet joined the rich and left the sordid world of mortgage payments behind; and they still depend on completing chains in an inactive housing market.

Securicor

Share price relative to the FT-A All-Share Index



Lower down the property scale there are more encouraging signs. Although figures from the Halifax show that overall prices fell for the sixth month in a row in January, new house prices rose by 1 per cent over the month and first time buyer prices are still 8 per cent up on a year ago.

The housing market is hoping, like economists, for an upturn in 1991. Demand could come from those who sat tight rather than moved in 1989, from an end-year mortgage cut and from a continuing stream of first time buyers, some of whom may be prompted by the poll tax. Last year's fall in housing starts will reduce the risk of a glut. But the next few months will still be difficult. Mortgage rates could still edge up another half point and homeowners with annual agreements will feel the impact of last year's rises. It will get darker before the dawn.

Rights issues

Monday's £125m rights issue from Rosehaugh looks like reviving arguments raised by National Westminster's £714m cash call back in May 1986. Like NatWest's, the Rosehaugh issue is deeply discounted – 40 per cent below the theoretical ex-rights price – and equally heavy, at one for one. The trouble with such issues is that they tend to discriminate against tax-paying shareholders. A common strategy is to sell as many nil-paid rights as will enable the rest of the entitlement to be taken up, thus leaving the value of the investment unchanged. But the heavier and more deeply discounted the issue, the more that must be sold: and any sale above 5 per cent of the original value of the stake is liable to capital gains tax.

The whole point of deep-discounted issues is to avoid the cost of underwriting. At a time when rights issues look like resuming their importance for the corporate sector as a whole, it seems odd for the taxman to weigh the scales in favour of the underwriting community: particularly if, at a time of unstable markets and distress financing, the institutions become reluctant to run the risk of underwriting at all.

Securicor

The odd share structure of the Securicor twins means they do not have to curry favour with the City. Even if they did, no one could complain about their share price performance over the last couple of years. Hence no press conferences or analysts' meetings, and minimal disclosure in yesterday's annual results about the biggest and most interesting part of the business – the 40 per cent stake in Cellnet, Britain's second largest cellular operator. As a minority partner Securicor deflects all questions to British Telecom, which in turn says next to nothing.

Securicor's traditional businesses are more sensitive than most to any economic downturn. Pre-tax profits in UK security and parcels, for example, fell by 19 per cent to £15m. But they are already overshadowed by the £19.25m contribution from the Cellnet stake. The group has increased its dividend by 17 per cent and is promising at least a 40 per cent rise this year, which gives a clue to the rate of profit growth it expects from its lucky investment.

Nevertheless, Cellnet's performance still looks miserable by comparison with Racal Telecom's. For a start its central costs seem far too high. But if this forces BT to buy Securicor out, it can only be good news for the latter. Its shares may be selling at 28 times this year's earnings but even on the most conservative assumptions the Cellnet stake is worth more than the group as a whole.

Bucharest lifts curbs on small enterprises

By Nicholas Denton in Bucharest

ROMANIA'S ruling National Salvation Front yesterday announced liberalisation of small-scale private enterprise and a substantial devaluation of the country's currency.

The economic reforms are the most significant of the Front's six-week rule but they demonstrate a caution in sharp contrast with the pace of change in the rest of eastern Europe.

Entrepreneurs will be allowed to employ no more than 20 staff and be involved in only one company.

Foreign funding will only be possible with authorisation of the Ministry of Foreign Trade; the Government had earlier declared that joint ventures must have a majority Romanian shareholding.

Although the constraints show hostility to capitalism on the western model, the new private businesses will have surprising latitude.

They will be able in theory to set prices and investment as they wish and to claim in hard currency half the value of exports to the west.

The success of the reforms depends on the willingness of state institutions to encourage private enterprise.

The Front envisages that banks will lend start-up capital and local councils and state enterprises will rent property and machinery to small businesses.

But the freedom to set prices – above the controlled levels many Romanians consider only fair – is bound to make the new companies unpopular and official enthusiasm cannot be taken for granted.

Yesterday's foreign exchange reforms do away with a complicated system of multiple exchange rates, but the new figure of 21 lei to the dollar is still far below the value set by the black market.

Enterprises previously changed money at 14.2 lei to the dollar, and foreign tourists did so at 8.7 lei.

The Government has demonstrated its concern about the inflationary effect of the devaluation by setting aside a fund to subsidise imports and thus maintain retail prices at current levels.

In framing its economic policy, the Front has clearly had in mind the interests of Romanian factory workers, whose numbers were inflated by Ceausescu and who maintained a considerable influence. It was these manual workers who provided the most conspicuous support for the Front when it was beleaguered and besieged by protestors 10 days ago.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	16	61	Dubrovnik	S	15	59	Malta	F	16	61	Rhodes	S	15	59
Algiers	S	16	61	Edinburgh	F	13	55	Manchester	C	12	54	Rio de J'o	C	30	86
Amsterdam	S	10	50	Faro	C	15	59	Manila	F	31	88	Rome	S	16	61
Athens	F	15	59	Florence	S	12	54	Melbourne	C	19	66	Salzburg	S	9	48
Bahrain	C	18	64	Frankfurt	S	7	45	Mexico City	F	23	73	San Francisco	F	6	43
Bangkok	S	34	93	Funchal	F	17	63	Miami	C	22	72	Seoul	F	1	34
Barcelona	F	11	52	Geneva	S	7	45	Milan	Fg	3	37	Singapore	F	31	88
Beirut	R	16	61	Gibraltar	C	16	61	Montreal	C	-16	3	Stockholm	C	9	48
Belfast	C	12	54	Glasgow	C	12	54	Moscow	C	2	36	Strasbourg	C	9	48
Belgrade	S	12	54	Guernsey	F	9	48	Munich	S	11	52	Sydney	C	24	75
Berlin	S	10	50	Helsinki	R	2	36	Nairobi	S	26	79	Taipei	R	19	66
Biarritz	S	20	68	H. Kong	S	18	64	Naples	S	16	61	Tangier	F	18	64
Bombay		–	–	Innsbruck	S	7	45	Nassau	C	28	82	Tel Aviv	F	15	59
Bordeaux	S	15	59	Inverness	R	12	54	New Delhi	S	25	77	Tenerife	S	20	68
Brussels	S	12	54	Islamabad	F	21	70	New York	C	-4	25	Tokyo	C	8	46
Budapest	S	11	52	Istanbul	F	9	48	Nice	S	16	61	Toronto	C	-9	16
B. Aires	S	29	84	Jakarta	R	32	90	Nicosia	S	17	63	Tunis	F	17	63
Cairo	C	16	61	Jersey	S	10	50	Oporto	S	16	61	Valencia	Dr	12	54
Cape Town		–	–	Jo'burg	C	25	77	Oslo	C	9	48	Venice	C	7	45
Caracas	R	26	79	Lima	[illegible]	[illegible]	[illegible]	Paris	S	11	52	Vienna	S	8	46
Casablanca	S	19	66	Lisbon	C	17	63	Peking		0	32	Warsaw	C	7	45
Chicago	C	11	31	London	S	12	54	Prague	S	11	52	Washington	S	-1	30
Cologne	S	11	52	Los Angeles	C	17	63	Reykjavik	C	-1	30	Zurich	S	6	43
Copenhagen	F	8	46	Luxembourg	S	9	48								
Corfu	S	18	64	Madrid	F	9	48								
Dallas		–	–	Majorca	C	16	61								
Dublin	C	13	55	Malaga	F	16	61								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK state export insurance body announces record £441m deficit

By Anthony McDermott in London

BRITAIN's Export Credits Guarantee Department, the state export insurance body, formally announced yesterday a record £441m ($747m) trading deficit last year – and indicated further huge losses are in the pipeline because of its loans to Third World debtor countries.

Revised guidelines published last month by the Bank of England on Third World loans by commercial banks, which are used by the ECGD, would almost double the ECGD's provisions. If they had been taken into account, "the estimated maximum potential effect on the sovereign exposure provision of £3.26bn would have been an increase of the order of £3bn," according to figures published yesterday for the 1988-89 financial year, ended last March 31.

Last week's new guidelines indicated bank provisions should rise from an average of about 30 per cent (26 per cent for ECGD's current calculations) to 50 per cent of their exposure loans to debtor countries in the Third World.

The new figures for 1989-90 (year ending March 31) will emerge when ECGD updates its provisions in the light of the final version of Bank of England guidelines, "taking account of the Department's particular circumstances as an official export credit agency."

To counter the continuing difficulties, ECGD hopes to take advantage of changes announced by Mr Nicholas Ridley, the Trade and Industry Secretary, announced in December. These involved the two main ECGD insurance operations, the Cardiff-based Insurance Services, covering exports on short term credit, and the London-based Project Group, handling exports of projects for capital goods on medium-term credit, being run in future as separate organisations – subject to the legislation being approved by parliament.

The former is to be privatised some time in 1991 and yesterday, Mr Malcolm Stephens, ECGD's Chief Executive said that the restructuring could open the door to a foreign ownership stake in the agency's short-term insurance services group.

He also said that in order to reduce the risk of future losses, ECGD was to introduce radical new methods for managing its political risk portfolio. This would involve closer scrutiny of individual countries and projects.

ECGD's trading losses are bound to stir up further debate on the extent to which taxpayers' money should be used, in effect, to subsidise exports.

Mandela says reforms are bold

Continued from Page 1

anti-apartheid organisations and individuals – as a "half measure," and said more reforms were needed before the ANC would take part in talks with the Government.

However, suggestions that Mr Mandela was imposing further conditions before agreeing to leave jail were denied by the ANC.

Mrs Winnie Mandela, the jailed ANC leader's wife, said at the weekend that her husband would not leave prison while South Africa's three-year state of emergency remained in force. However this was denied yesterday by Mr Thabo Mbeki, a senior ANC official, who said Mrs Mandela had misunderstood her husband's position.

The Government has built on last week's announcement of reform by holding a series of ministerial briefings outlining its political programme, maintaining constant pressure on the ANC to respond to President de Klerk's vision of a new South Africa.

Yesterday Mr Gerrit Viljoen, the minister charged with negotiating a new constitution, complained that the ANC's responses had been ambiguous.

Ministers made clear yesterday that the goal of reform would be a constitution which would gain majority support from all South Africans and conceded that this would mean the end of 40 years of National Party rule within the next decade.

Mr Viljoen, one of President de Klerk's closest advisers, told journalists yesterday that he did not believe the party would be "in control" in 10 years' time, predicting that power would reside in "a coalition of some kind."

● Minor sanctions against South Africa – particularly the voluntary ban on new investment – should be lifted when Mr Nelson Mandela is released from imprisonment, Mrs Margaret Thatcher, the UK Prime Minister, said yesterday, John Mason reports from London.

Mrs Thatcher also disclosed that the British Government had protested to South Africa about the expulsion of two UK journalists covering the rebel cricket tour.

However, she was attacked by Mr Neil Kinnock, the opposition Labour party leader, and Mr Paddy Ashdown, the Liberal Democrat party leader, for repeating at the despatch box the South African Government's reasons for the expulsions of Mr Paul Weaver of the Today newspaper and Mr Gareth Furby of Independent Radio News.

During House of Commons questions, Mrs Thatcher said President F. W. de Klerk's speech, lifting the ban on the ANC, had been widely welcomed. But she dismissed calls for further pressure, saying the release of the jailed ANC leader should be followed by action to encourage reforms.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday February 7 1990

INSIDE

Changes brewing in the drinking world

Heineken's announcement last week that it planned to scrap 700 of its 4,000 jobs in the Netherlands — 17.5 per cent of the Dutch workforce — by 1993 had employees crying in their beer. The brewery has never fired workers in its home market, but increased competition and changes in drinking habits have forced the estimated Fl 50m ($79m) reorganisation on Mr Gerard van Schaik, who took over as chairman last April. However, investors have marked down the share price by several guilders on fears that the plan lacks a creative response to market pressures and focuses only on cost-cutting. Laura Raun reports. Page 21

Bourses bask in wave of eastern optimism

European bourses have been basking in the prospect of German reunification. The broad economic and social changes sweeping the Eastern Bloc have acted as a magnet for overseas investors, with the European sector of the FT Actuaries Indices delivering an overall 2.47 per cent improvement last week in local currency terms. West Germany spearheaded the advance, moving forward by 5.84 per cent. The robust European performance contributed to a turnround in the World Index, reports Simon Greaves, which advanced by 1.79 per cent after a 5.91 per cent retreat over the previous four weeks. Page 40

Ghana goes for the gold

Ghana is hoping for a golden future. Its economic recovery has been placed in jeopardy by the collapse of the cocoa price, the commodity that has traditionally accounted for more than 50 per cent of foreign exchange earnings, and the country is pinning its hopes on increased gold mining to fill the gap. Canadian Bogosu Resources is constructing an $80m mine — the most sophisticated yet seen in Ghana — designed to process 900,000 tonnes of ore a year and investor interest in the sector is strong. William Keeling reports. Page 28

The politics of privatisation

Don't mention the nasty word privatisation. "It's too full of ideology and political feeling," says Philippe Wilmes, chairman of Belgium's Société Nationale d'Investissement (SNI). But SNI's decision to raise capital by seeking buyers for shares in a newly-created holding company is not far off the mark. It is the first time a state-controlled enterprise has approached the private capital markets in this way. The operation has introduced a new financial instrument to the Belgian market — non-voting preferred shares, or participation certificates. Page 22

Management bites at Wimpy

Grand Metropolitan is selling about 360 of the 530 Wimpy fast food restaurants in the UK and Europe which it acquired last year from United Biscuits. Agreement in principle has been reached for the sale of 216 outlets in the UK and another 140 in Europe to a management group headed by Mr Max Wolfenden, Wimpy's former managing director. The deal is likely to be worth some £20m ($33.8m). Page 24

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Merck	$70\frac{7}{8}$	-	$1\frac{1}{8}$
Rises				**PARIS (FFr)**			
Allianz AG	2840	+	50	Rises			
BMW	515	+	25	Credit Lyonnais	705	+	27.0
Colonia Versich	1210	+	82	Europe No 1	1370	+	97.4
Hochtief	1235	+	55	Geophysique	1250	+	46.6
Falls				Falls			
Asko Deutsche K	745	-	70	Intertechnique	1535	-	57.9
Muench Rueck	2565	-	90	Metaleurop	199	-	9.9
NEW YORK ($)				Peugeot SA	709	-	25.1
Rises				**TOKYO (Yen)**			
IBM	101	+	$1\frac{1}{4}$	Rises			
PepsiCo	$59\frac{5}{8}$	+	$1\frac{1}{4}$	Hoya Corp	2350	+	350
Pitney-Bowes	$41\frac{7}{8}$	+	$\frac{5}{8}$	Kasuga Electric	2930	+	280
Falls				Kokyo	5590	+	520
Cummins Engines	43	-	[illegible]	Kyowa Electric	2450	+	400
Eastman Kodak	$37\frac{7}{8}$	-	$1\frac{7}{8}$	[illegible]	1250	+	160
				[illegible]	1600	+	150
LONDON (Pence)				Grand Metrop	588	-	10
Rises				GKN	404	-	11
[illegible]	658	+	5	Guinness	648	-	11
Reuters	1021	+	11	ICI	1079	-	8
Unitech	382	+	11	Lucas Inds	612	-	5
Falls				Midland	365	-	11
Bass	992	-	15	Securicor A N/V	383	-	8
BAT Inds	802	-	14	Security Serv	383	-	18
Blue Circle	229	-	5	Ultramar	374	-	11
Chemring Intl	487	-	5				
GEC	227	-	2				

Norsk Data suffers further losses

By Karen Fossli in Oslo

NORSK DATA, the troubled Norwegian minicomputer manufacturer, which has been undergoing a radical restructuring, said yesterday that pre-tax losses in 1989 increased to NKr419m ($64.5m) from NKr326m.

However, at the net level losses in 1989 were reduced sharply to NKr394m from NKr965m a year earlier, but the 1988 figure was distorted by a non-recurrent charge of NKr600m for restructuring, part of a NKr639m net extraordinary debit.

In 1989 there was a NKr25m extraordinary gain from the sale of non-strategic activities.

Mr Erik Engebretsen, the new chief executive, said the company could this year expect to feel the benefits from 1989's radical restructuring – which saw the exit of Mr Rolf Skaar, its founder and former president – and the reshaping of the company into seven separate business units.

Mr Engebretsen, who reported an improvement in the company's pre-tax performance for the second half of last year, refused to make a forecast for 1990 but said he was optimistic. The main challenges would be to refine the company's new business strategy which he implemented last year – together with the restructuring – "to put Norsk Data back on the map."

He also suggested that operating costs this year would be further reduced. In 1989 these were cut by 9 per cent to NKr2.64bn from NKr2.91bn.

Orders also fell last year by 9 per cent, to NKr2.43bn from NKr2.70bn. Operating revenue slid by 11 per cent to NKr2.46bn from NKr2.76bn.

Mr Engebretsen said the company had achieved its goal to reduce the workforce by 1,500. There were now 2,700 employees, down from 4,200 at the end of 1988. Further cuts were not part of the 1990 plan.

Without giving details, he said that Norway and West Germany, two of the company's five main markets, were its best performers last year.

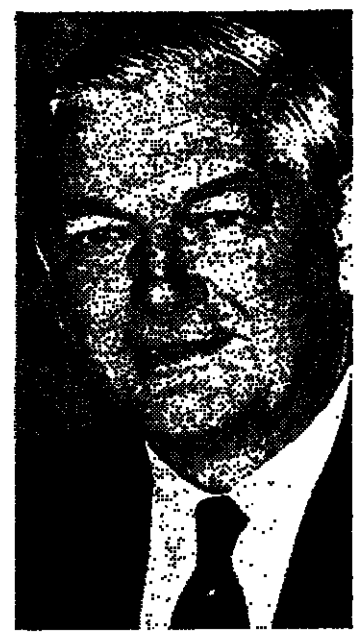
For the second half of 1989 the company boosted operating revenue by 23 per cent to NKr1.36bn, compared with the year-earlier period. Pre-tax losses, before extraordinary items, were reduced by 28 per cent to NKr175m from NKr244m in the first half.

Operating costs in the second half increased by 15 per cent to NKr1.41bn, primarily because of the restructuring and reorientation of the company. Net losses in the period increased by 3 per cent to NKr200m, while orders fell by 1 per cent to NKr1.22bn.

Norsk Data's equity-to-debt ratio improved to 40 per cent from 33 per cent in 1988, largely because short-term debt had been reduced by NKr1.1bn. By the end of 1989 the company had NKr900m in cash, short-term deposits and bonds. Inventory had been reduced by 16 per cent together with accounts receivable which were reduced by 18 per cent.

The griffin, the dragon and the monster bank

Merger decisions at Midland and Hongkong banks have become very personal ones between the two chairmen, Sir Kit McMahon (left) and Willie Purves. David Lascelles weighs the chances for union



The big banking riddle of 1990 is: will the engagement between Midland Bank and Hongkong Bank become a marriage?

If it does, the merged bank will become one of the 10 largest in the world, with a unique spread of business over North America, Europe and the Far East – which is why the banking world expects it to happen. But the political and commercial complexities of the union are such that it is still not a foregone conclusion.

The deadline for some kind of decision is next December when the three-year standstill on Hongkong Bank's 14.9 per cent investment in Midland comes to an end. The two banks could simply agree to roll over the agreement at that time. But this would be highly unsatisfactory because of the expectations which have built up; and the longer Hongkong Bank delays fundamental decisions about its future, the closer the 1997 return of its colony base to China looms.

Both banks have shrouded their thinking in deepest secrecy, largely because the decisions have become very personal ones for the two chairmen, Sir Kit McMahon of Midland and Mr Willie Purves of Hongkong.

Both have said they want a merger. Most recently, Mr Purves told Banking World magazine: "The chairman of Midland has publicly said that he would like to see a merger between the two banks. I think that is my position too. Whether that can be accomplished, time will tell."

At lower levels within the banks, noticeable efforts are being made to put a positive gloss on developments. "The chemistry looks good – still," says Mr Peter Wrangham, Hongkong Bank's London-based director who sits on the Midland board. "Therefore, Mr Purves' comments are still relevant. It would be a merger of equals, but what structure it would take remains speculative."

At Midland, Mr Christopher Wathen, the director responsible for group strategic planning and the main link-man with Hongkong Bank, stresses the considerable work that has already been done to bring the banks together. "All has been business-driven," he says, "and all has the capacity to continue."

In fact, the two banks give the impression that they are deliberately pushing themselves into a position where strong mutual dependence will make a merger inevitable rather than a forced affair.

In the first year of their link-up, they reshuffled their world interests. Hongkong Bank took on most of Midland's operations in the Far East and North America, where it owns Marine Midland, a large New York state bank, and the largest foreign bank in Canada. Midland assumed most of Hongkong Bank's business in Europe.

However, both banks have maintained their individual presence in key global centres. Hongkong Bank is developing a large treasury and corporate lending division in London, while Midland Montagu, Midland's international investment banking arm, is active in the New York and Tokyo markets.

A big effort has also been made to expand day-to-day contacts between the two banks. Both have mounted "roadshows" for each others' managers to build up familiarity and encourage cross-referrals, mainly in the lending and trade finance areas. Mr Wathen estimates that Midland did £1bn ($1.7bn) worth of Hongkong-referred lending last year. The two banks' computer systems are also being aligned and their cash machines unified.

The logic for a merger is powerful because the two banks' individual strengths and weaknesses almost exactly complement each other. Geographically, there is little overlap, with Midland's European strength matched by Hongkong's in the Far East and America. Financially, Hongkong has the inner reserves to help capital-poor Midland, while Midland has the sound political base to offset the uncertain future which faces Hongkong.

The big stumbling block is what form the merger should take. Even though more than two-thirds of Hongkong Bank's business is outside Hong Kong, it will be politically impossible for the bank to leave the colony. Therefore, the structure will have to preserve a separate identity for the operations that remain there beyond 1997. This rules out a takeover of Midland by Hongkong Bank, because the UK would never permit one of its clearing banks to be owned by a bank in China.

For its part, Midland Bank could not afford £3bn to take over Hongkong Bank, even if the Chinese authorities would countenance it – which they certainly would not.

"There is no OBS – one big solution," says one UK official close to the discussions. Indeed, there is even potential for strain within the UK Government because the Foreign Office might want a political merger not acceptable to the Bank of England on prudential grounds.

All these factors are pushing the two banks into examining a holding company structure, in which they would be jointly owned by a new company. (The 1 per cent limit for individual shareholders in Hongkong Bank – often cited as an obstacle – can be waived by a board resolution.)

The parent company would be located in politically-neutral territory, with Sir Kit as its chairman and Mr Purves as the chief executive, but each continuing to head his own bank. Although this would be presented as a merger of equals, the holding company would be 60 per cent-owned by Hongkong shareholders, because of their bank's bigger capital.

This looser structure would also cater better to each bank's ancillary operations, such as Midland's Thomas Cook travel arm, Hongkong's stockbroker, James Capel, and the Hang Seng Bank subsidiary.

The timing of an announcement is also sensitive. Hongkong Bank altered its legal status last year and has said it will disclose its inner reserves – both moves which analysts believe clear the way for action.

There is also frequent contact between Sir Kit and Mr Purves. On the other hand, the banks have not yet presented any detailed plans to the UK authorities, so nothing seems imminent – though Sir Kit will have to say something when he announces Midland's 1989 results on February 22.

Swedish bank enters Norwegian sector

By Robert Taylor in Stockholm

SVENSKA Handelsbanken, one of Sweden's leading commercial banks, yesterday launched the first trans-nordic bank takeover bid with a SKr212m ($34.6m) agreed offer for the small Oslo Handelsbank.

The bid reflects the acceleration in the deregulation and liberalisation of the banking sector in the region.

The board of the Norwegian bank, which had assets of NKr2bn ($308m) last year and 1989 net profits of NKr25m, called on shareholders to support the bid, which would give Handelsbanken 100 per cent ownership.

Founded in 1917, Oslo Handelsbank specialises in providing services for small and medium-sized Norwegian companies.

"We want to expand our banking activities further in Norway during the 1990s," said Mr Arne Martensson, the next president of Svenska. Permission is required from the Norwegian Ministry of Finance for the acquisition but Mr Martensson said informal discussions had suggested there would be no difficulty in achieving the go-ahead.

"The acquisition will be a strategic step forward to strengthen Svenska Handelsbanken's position on the important Nordic home market," said Mr Tom Hadelius, current president. Svenska has branch offices only in London and New York.

Shareholders of Oslo Handelsbank are being offered NKr340 a share and NKr370 per convertible debenture. The bid is 60 per cent higher than its stock market price before trading was stopped in its shares on the Oslo Stock Exchange, when they were worth NKr215 each.

Completion of the deal is conditional on acceptance by share and convertible debenture holders representing at least 90 per cent of the share owners after full conversion.

Svenska has been active in Norway for the past two years through a subsidiary with assets totalling NKr1.5bn at the end of last year. It opened a branch office catering to private clients last August.

Early last month the Swedish Government announced the lifting of restrictions which banned foreign ownership of Swedish banks, finance companies and stock brokerage firms from July 1 this year.

The Ministry of Finance in Stockholm announced at the same time that the Government would not allow majority foreign ownership of Sweden's "biggest banks" which include Svenska.

Curtain falls on bedroom and boardroom drama

By Peter Bruce in Madrid

A SETTLING of accounts almost indistinguishable from the internecine family wars beloved of Spanish dramatists was played out in one of Spain's most powerful boardrooms early yesterday morning. It resulted in the final fall from power of two cousins, *Los Albertos*, and the sweet revenge of their abandoned wives, the sisters Koplowitz.

The two women, Alicia, 37, and Esther, 39, respectively the Marquesa de Real Socorro y de Bellavista and the Marquesa de Casa Penalver y de Cardenas de Monte Hermoso, finally put to good use their 98 per cent control of their $8bn industrial and financial empire and named themselves president and vice president of the mother company, Construcciones y Contratas (Conycon).

After months of infighting about how to divide up the spoils between the Albertos (Alberto Alcocer, who is married to Esther and Alberto Cortina, Alicia's husband), Mr Alcocer was forced to step down as president and managing director of Conycon and to join his cousin picking up what crumbs they could of the empire they helped to create for their wives.

The story begins just after the Second World War when a Polish Jew, Ernesto Koplowitz, emigrated to Spain to start a small construction company, Conycon. It flourished under Franco's patronage and when he died his wife and two daughters, Alicia and Esther, were taken under the wing of Ramon Areces, founder of the Corte Ingles department store chain and Spain's richest man when he died last year.

The two girls married the Albertos (Cortina's father was one of Franco's ministers and Alcocer's was once Mayor of Madrid) and the two husbands, under Areces' guidance, were given Conycon to run.

They did well. Conycon and its portfolio company, Grucycsa, now own or control a string of cash-rich enterprises, including 45 per cent of Focsa, a big construction group; 10 per cent of Cofir, Mr Carlo de Benedetti's Spanish investment arm; and 45 per cent of Portland Valderrivas, Spain's fourth-largest cement group.

However, around the beginning of 1988 things began to go wrong. The Albertos teamed up with the Kuwait Investment Office (KIO) to buy 13 per cent of Spain's then biggest bank, Banco Central, with a view to controlling it. Towards the end of the year, Mr Cortina's marriage to Alicia began to go badly wrong and he was seen with a stunning young companion, Martha Chavarri.

Alberto Alcocer: ousted

That romance became the subject of a ferocious scandal after Ms Chavarri was photographed in a Madrid nightclub wearing no underwear. KIO, embarrassed by the uproar, pulled out of the venture in Banco Central, forcing the Albertos to borrow heavily to buy out the Kuwaitis. Alberto Cortina left home and was removed from his position at the top of Conycon. Alberto Alcocer became president and managing director of the mother company.

But the strain of his cousin's separation began to eat away at his marriage to Esther and this, too, has now broken down.

Alicia, the stronger of the sisters, joined the Conycon board and a great argument began about how to get rid of the husbands without prejudicing the group. The sisters found a friend in Romualdo Garcia Ambrosio, managing director of Grucycsa and a man regarded by many people as the real brain behind Conycon. But that was short-lived.

Last Thursday, the Albertos, apparently supported by the chairman of Banco Zaragozano, Mr Jose Ramon Alvarez Rendueles, a former Governor of the Bank of Spain, ousted Mr Garcia Ambrosio at Grucycsa and replaced him with Mr Rendueles.

The last of the bloodletting followed quickly. The Koplowitz sisters, determined to finish with their husbands, convened a Conycon board meeting for Monday night and wrestled Alberto Alcocer from the presidency.

Neither Alicia nor Esther have much experience in business and their position at the top of such a large group is probably unique in Spain. However, they are surrounded by advisers, the most prominent of whom are Mr Rendueles and Mr Miguel Boyer, the former Finance Minister brought in by the Albertos in 1988 to manage their share of Banco Central. Either man could end up taking executive control of the group.

The Albertos will either be paid off or be allowed to walk away with some of the companies they helped Conycon to buy.

The revenge of *Las Koplowitz* is almost complete and, with Spanish passions aroused and pride wounded, any price will probably have been worth it.

INTERNATIONAL COMPANIES AND FINANCE

Cummins still in loss but sees improvement in 1990

By Anatole Kaletsky in New York

CUMMINS ENGINE, the leading US diesel engine manufacturer which has been fending off unsolicited advances from several foreign investment groups, reported a significant improvement in its quarterly results.

Cummins still failed to make a profit in the fourth quarter or the last year as a whole. However, it issued a moderately upbeat statement, suggesting that the decline in the US truck market had stabilised and that better profit margins were expected in the second half of this year.

In a separate development, Sir Ron Brierley's Industrial Equity (Pacific) stated that it was "re-evaluating" its 14.9 per cent stake in Cummins, after a series of lawsuits filed by Cummins last week against the New Zealand-controlled investment group.

Cummins reported a net loss of $9.7m or $1.24 a share in the fourth quarter, including a special addition to warranty reserves of $13.3m. Cummins said it would have been profitable in the quarter, had it not been for the warranty costs, and added that further supplements to the warranty reserves were not anticipated this year.

In the fourth quarter of 1988 Cummins made a net loss of $55m or $5.34 a share, but this included a pre-tax charge of $50.5m. In the third quarter of 1989 the company made a loss of $39.7m or $4.12 a share.

In 1989 as a whole, Cummins made a net loss of $6.1m or $1.52 a share, compared with a loss of $63.4m or $6.71 the year before.

Annual sales increased by 6 per cent to $3.5bn. Fourth-quarter sales were $856m, compared with $808m in the third quarter and $869m in the fourth quarter of 1988.

The company said it had suffered from a severe decline in the North American heavy truck market in the second half of last year, but added that orders had recently stabilised. "Assuming the economy holds, first-half orders are expected to continue at or slightly above the levels of the second half of 1989," the company said.

Industrial Equity (Pacific) in its separate statement filed with the Securities and Exchange Commission, denied Cummins' charges that it was trying to threaten the company's management or that it had made misleading comments in previous disclosures.

It said, however, that it was reconsidering its investment in Cummins in view of the management's attitude as well as the 30 per cent decline in the company's share price in the past six months.

Energy unit lifts Salomon 68%

By Janet Bush in New York

SALOMON BROTHERS, the leading Wall Street securities house, yesterday reported a 68 per cent jump in net income in 1989 compared with the previous year, with another strong contribution coming from its energy subsidiary.

Salomon's commodities trading business suffered a loss during the year, but its securities operations saw earnings increase slightly from the depressed levels of 1988.

Net income totalled $470m in 1989, based on unaudited results, compared with $280m earned in the previous year. Earnings per share almost doubled to $3.26 a share compared with $1.65 in 1988, and consolidated revenues, net of interest expenses, rose by $300m or 12 per cent to $2.9bn in 1989.

Consolidated pre-tax earnings were $740m in 1989, little changed from $753m in 1988.

Salomon said its securities operations had performed well in a year of difficult market conditions and had generated pre-tax earnings of $490m compared with $485m in 1988.

Phibro Energy, a Salomon subsidiary, continued to perform well, achieving pre-tax earnings of $367m, up 67 per cent from $220m in 1988.

The commodities business reported a 1989 pre-tax loss of $117m compared with a $48m profit in 1988. These results were depressed by expenses of getting out of various businesses.

Forestry group hit by falling prices

By Bernard Simon in Toronto

NORANDA, the big Toronto-based forestry, mining and industrial group, was badly hurt by problems such as falling prices and a strong Canadian dollar in the fourth quarter of 1989, and was burdened by a sharp increase in debt.

Fourth-quarter earnings before extraordinary items tumbled to C$58m (US$48.7m) or 25 cents a share, from C$152m or 78 cents a year earlier. There was an unusual charge of C$2m last year. Revenues rose to C$2.42bn from C$2.18bn.

Earnings for the year fell by almost a third to C$442m or C$2.19 a share from C$605m or C$3.14. Revenues rose to C$9.16bn from C$8.68bn. Long-term debt spiralled by over 90 per cent last year to C$3.81bn on December 31, largely as a result of Noranda's purchase of a 50 per cent stake in Falconbridge, the West's second biggest nickel producer. At year-end, shareholders' equity stood at C$4.45bn.

The minerals division was especially hard hit, with earnings shrinking to C$21m in the fourth quarter, from C$82m the previous year, despite the inclusion of Falconbridge's earnings for the latest period.

Kodak falls into red for last quarter after charge

By Roderick Oram in New York

EASTMAN KODAK, the photographic, drugs, chemicals and information equipment group, has reported a fourth-quarter loss because of a $525m restructuring charge announced previously.

The company forecast higher sales and operating profits this year, despite the uncertainty of the US economy, the weak chemical sector and declining market for office equipment. It was encouraged by the prospects for its information systems and health care products.

The net loss for the latest quarter was $60m or 19 cents a share, against a net profit of $312m or 96 cents a year earlier. Operating profit was $595m before the restructuring charges, but only $70m after, compared with profits of $658m the previous year.

Full-year net was $529m or $1.63, against $1.4bn or $4.31 for 1988. Operating earnings before charges were $2.47bn against $2.8bn. Several restructuring charges during the year totalling $875m reduced this figure to $1.59bn.

The charges covered the cost of decreasing Kodak's US workforce by about 5,000 and eliminating some 20 poorly performing lines of business.

Sales rose 8 per cent in both the quarter and the year to $4.89bn from $4.55bn and to $18.4bn from $17bn.

For the full year, imaging sales rose to $7bn from $6.64bn. Operating earnings were $1.21bn before restructuring charges and $821m after, against $1.28bn a year earlier. Higher volume in sales of 35mm negative film, for example, were offset by adverse foreign exchange rates.

Information systems turned in sales of $4.2bn against $3.94bn. Operating profits were $57m before charges but dropped to a loss of $360m after, against profits of $311m a year earlier.

Chemical sales increased to $3.52bn from $3.12bn. Operating earnings before charges were $660m and $643m after, against $630m a year earlier.

Health care sales, boosted by the acquisition of Sterling Drug, rose to $4bn from $3.6bn.

Sprint pushes United Telecom sharply higher

By Roderick Oram

UNITED Telecommunications, the largest independent telephone company in the US, has turned in sharply higher earnings from continuing operations, thanks mainly to improving results from US Sprint, its long-distance network.

US Sprint, 80.1 per cent owned by United Telecom and 19.9 per cent by GTE, another independent telephone group, reported fourth-quarter operating income of $81m against a loss of $176m a year earlier, which included a charge of $195m. Revenues rose 7 per cent to $1.2bn in the quarter.

For the full year, Sprint, third in the long-distance market after American Telephone & Telegraph and MCI, reported operating profits of $227m compared to a loss of $386m. Revenues rose 28 per cent to $4.3bn.

United Telecom had net profits of $101.7m or 48 cents a share for the quarter, against $10.7m or 4 cents from continuing operations a year earlier. Revenues were $2bn against $1.73bn.

Full-year net was $359.9m or $1.72 a share, against $141.8m or 88 cents from continuing operations. Revenues were $7.55bn against $6.49bn.

Clausen to retire from BankAmerica

MR A.W. "TOM" Clausen, the 66-year-old chairman and chief executive of BankAmerica, the third largest US banking group, has announced that he plans to retire at the end of the bank's annual meeting on May 24, writes Alan Friedman in New York.

Mr Clausen, who left the bank to head the World Bank between 1981 and 1986, will be succeeded by Mr Richard Rosenberg, a former Wells Fargo executive who is presently vice chairman of the board and head of the bank's California banking interests.

Mr Rosenberg, 59, is widely credited for his successes in retail banking, and his appointment is similar to that of Mr John Reed, the Citibank chief who also made his name in retail banking.

Mr Clausen's reputation has been restored since 1986 as BankAmerica has undergone a big reorganisation and come out of heavy mid-1980s losses that resulted largely from Third World debt problems. Last month the bank reported a 1989 net profit of $1.1bn, against $726m a year earlier.

PepsiCo beats projections for year

By Karen Zagor in New York

PEPSICO, the world's second biggest producer of soft drinks, yesterday reported a 17 per cent improvement in per-share earnings for 1989, comfortably fulfilling its earlier projections of profits growth of more than 15 per cent for the year.

The New York company said that net income in the December quarter rose 8 per cent to $202.1m from $187.7m a year earlier.

Earnings per share advanced 6 per cent in the three months to 76 cents, in spite of the diluting impact of several big acquisitions which cost the company 15 cents a share in the 1989 quarter.

PepsiCo said that, excluding the impact of acquisitions and an extra week in the 1988 fourth quarter, operating profits rose 42 per cent in the latest three months and earnings per share almost 23 per cent.

Sales in the 1989 quarter rose 19 per cent to $4.79bn, which PepsiCo attributed to strong volumes in its three main businesses and to margin gains in soft drinks and snack foods.

For the full year, net earnings increased by 18 per cent to $901.4m compared with $762.2m in 1988.

Earnings per share advanced 17 per cent to $3.40 from $2.90 the year before. Sales in 1989 improved 22 per cent to $15.24bn from $12.53bn.

Operating profits in the soft drinks business rose 35 per cent in the quarter to $125.5m on a 21 per cent gain in sales to more than $1.7bn.

Excluding reorganisation charges and the cost of recent domestic acquisitions, sales advanced only 6 per cent, although growth in operating profits remained 35 per cent.

Worldwide operating profits from the company's snack food businesses jumped 34 per cent in the 1989 quarter to $263.4m on sales of almost $1.4bn, up 22 per cent from the previous year.

Excluding the acquisition of the British snack food companies Walkers and Smiths Crisps, which PepsiCo bought last summer for $1.35bn, operating profits from snack foods rose 23 per cent on a 9 per cent increase in sales.

Domestic volume for PepsiCo's Frito-Lay brands rose 8 per cent in the quarter. International volume was ahead 25 per cent, excluding the UK acquisitions.

PepsiCo's worldwide restaurant earnings advanced 14 per cent in the fourth quarter on sales up 14 per cent to $1.7bn. The company owns Pizza Hut, Kentucky Fried Chicken and Taco Bell eaterie chains.

PepsiCo's results seemed to satisfy Wall Street. Shares in the company gained ⅝ to $58⅞ by mid-day yesterday on the New York Stock Exchange in a declining stock market.

FAI tumbles 52% after underwriting loss

By Chris Sherwell in Sydney

A HEFTY writedown on equity investments and the first underwriting loss in almost a decade have brought a sharp 52 per cent drop in interim profits for FAI Insurances, the Australian general insurance group.

Figures released yesterday showed after-tax earnings of A$17.5m (US$13.6m) for the six months to December. This compares with A$36.33m in the corresponding period of 1988, and A$122.4m in the first half of the year before that.

The downward trend reflects the change the group has undergone since Mr Rodney Adler began running the company after the death in December 1988 of its founder, Mr Larry Adler.

"Young Rodney," who is 30, has adopted a more conservative approach than his father, dramatically reducing FAI's direct equity exposures – especially to troubled entrepreneurial groups such as Ariadne, Hooker, Qintex and the Bond empire – and concentrating heavily on its core businesses of insurance, property and financing.

The group's statement to the Sydney Stock Exchange yesterday showed a 27.5 per cent rise in sales revenues to A$355m, but a 30 per cent drop in other revenues to A$350m.

Premium income net of reinsurance increased to a record A$321.6m, up 22 per cent from A$264m, but the group also reported an underwriting loss of A$13.8m, the first since 1981.

Mr Adler said this reflected a high number of claims, partly caused by the unseasonal rains in the first half of last year.

Overhead expenses also increased as a proportion of net earned premium income.

Regarding FAI's listed equity portfolio, Mr Adler said its market value at the end of December was less than A$150m compared with around A$1bn a year earlier, and this showed "the extent of the restructuring process that has taken place."

He gave no details, but the fall is presumed to reflect the sale of a wide range of blue chip and entrepreneurial stocks, and unspecified writedowns on continuing investments.

Regarding Bond Corp, FAI has over the past year exchanged an unsecured exposure of around A$250m to a secured one of more than A$500m and subsequently picked up assets – the St. Moritz hotel in New York for US$175m, and the mining assets of Pacific Copper and Rhondda Collieries for A$198m.

FAI has given Bond Corporation until 15 February to repurchase the Emu Brewery site in Perth, failing which it will retain ownership. The original transaction was shrouded in controversy and has been investigated by Australia's regulatory authorities.

FAI's total assets have reached A$3bn, shareholders' funds stand at A$541m and cash reserves at A$300m. Earnings per share were 10 cents, down from 16.4 cents, which directors said was "acceptable in view of economic conditions and market forces." The interim dividend was unchanged at 5 cents.

Production snags slice Cominco profit in half

By Bernard Simon

PRODUCTION and marketing problems cut fourth-quarter profit at Cominco, the Vancouver-based metal and fertiliser producer, by more than half.

Net earnings slid to C$39.1m (US$32.9m) or 48 cents a share, from C$85.2m or C$1.05 a share a year earlier. The 1988 figure does not include a C$26.8m extraordinary gain. Sales also fell sharply, to C$396m from C$505.4m.

For 1989 as a whole, earnings before extraordinary items rose slightly to C$214.6m or C$2.64 a share, from C$213.5m or C$2.56. Sales dipped to C$1.59bn from C$1.66bn.

In addition to lower zinc and copper prices, Cominco said fourth-quarter earnings were dented by "dramatically lower" production at the Sullivan mine in British Columbia, which has suffered from a militant labour force. Cominco announced last month that it was closing the mine indefinitely.

Commissioning of a new lead smelter at Trail, British Columbia, also pushed up operating costs. The fertiliser division suffered a small loss as a result of poor nitrogen prices.

Cominco said that its rich Red Dog zinc mine in north-west Alaska began producing concentrates in late November.

Full production from the concentrator is expected before the end of March, and shipments from the port serving the mine start in July.

Output of lead and zinc from the Trail smelter will be lower and costs higher than normal as start-up problems at the new lead smelter are eliminated.

Cominco's debt stood at C$468.6m at the end of last year, including C$237.3m in loans for the Red Dog project.

Lockheed slides into red after heavy write-offs

By Roderick Oram

LOCKHEED, the US defence aerospace group, has reported a big fourth-quarter loss because of heavy write-offs on some of its fixed-price military programmes.

A pre-tax charge of $300m for unexpected development costs on the P7-A anti-submarine aircraft resulted in a net loss of $109m or $1.72 a share in the quarter against a net profit of $104m or $1.80 a year earlier.

For the full year Lockheed barely broke even, turning in a net profit of $2m or 3 cents a share against $624m or $10.37 a year earlier. In addition to the latest write-off, Lockheed also incurred a charge of some $200m in the third quarter of last year.

Sales edged ahead in the quarter to $3.03bn from $2.94bn but slipped for the full year to $9.89bn from $10.43bn.

Mr Daniel Tellep, chairman, said 1989 had been a "year of transition" with the company taking a number of restructuring steps to improve its competitiveness.

Wall Street remains deeply concerned about the impact of shrinking defence budgets on Lockheed. It derives 74 per cent of its revenues from US military programmes and 11 per cent from non-defence government work.

At year-end, its backlog of orders with funding authorised by Congress was $7.1bn compared with $7.3bn a year earlier.

Lockheed's debt jumped to $1.9bn at year-end from $953m a year earlier, reflecting two factors: its guarantee of $500m worth of borrowing by an employee stock ownership plan and payment of deferred taxes.

Capital Cities leaps 30%

By Karen Zagor

CAPITAL Cities/ABC, the big US television network, has reported strong gains in fourth-quarter earnings and revenues and record earnings for the year.

Net income in the fourth quarter improved 30 per cent to $182m or $10.33 a share, from $140.2m or $7.76 a year earlier. Revenues in the three months advanced 15 per cent to $1.51bn from $1.32bn a year ago.

Broadcasting revenues in the latest quarter rose 17 per cent to $1.23bn from $1.05bn in 1988, while operating income from broadcasting jumped 33 per cent to $309.7m from $233.6m.

Revenues from the New York-based company's publishing operations, which include Fairchild Publications and 27 newspapers, grew 4 per cent to $277.5m from $266.2m. The New York-based company said most of these gains came from its newspapers.

Operating income from the company's publishing business fell 3 per cent to $40.1m because of a charge associated with the planned merger in the first quarter this year of ABC's Kansas City morning and afternoon newspapers.

For 1989 as a whole, ABC earned a record $485.7m or $27.2 a share, compared with $387.1m or $22.3. Revenues increased 4 per cent to $4.96bn from $4.77bn.

TV revenues grew 4 per cent in the year to $3.90bn from $3.75bn, while publishing revenues were up 3 per cent at $1.06bn against $1.02bn for 1988. Operating income from ABC's broadcasting business improved 16 per cent to $836.1bn, while operating income from publishing was essentially flat at $130.4m.

Malaysian vehicles group shows surprise recovery

By Lim Siong Hoon in Kuala Lumpur

UMW HOLDINGS, the Malaysian vehicles and heavy equipment group, has unveiled a surprise set of financial results that shows a pre-tax profit rise of 1,900 per cent, marking a fresh start after five years of after-tax losses.

In a debt and capital reconstruction exercise begun last year, the group bought back from a government trust fund a 28 per cent shareholding to give it equity control of its most important UMW Toyota car assembly and distribution subsidiary.

It also increased to 85 per cent its 41 per cent equity stake in Seablanc Kredit, a car hire-purchase company.

After consolidating the acquisitions into the accounts, the group's turnover for the year to December was restored to the levels seen in the early 1980s. Sales rose 265 per cent from 383m ringgit in 1988 to 1.4bn ringgit ($520m), 57 per cent of this contributed by the 72 per cent-owned UMW Toyota subsidiary.

The subsidiary accounted for 69 per cent of the group's pre-tax profit of 100.9m ringgit, which compares with 5m ringgit in 1988.

Earnings per share, drawn from 55m ringgit in profits after tax and minority interests, were 39.2 cents compared with a 3.7 cent loss previously. However, the group incurred a 24m ringgit extraordinary loss, in part from a writedown in property assets.

Due to loan stock conversion and new share issues, the group's share capital rose 48 per cent to 157m shares. They have a current market worth of 6.75 ringgit each.

Debt settlement, which forms the final part of the group's financial reconstruction exercise, will begin later this year with a one-for-10 rights issue, at 8 ringgit a share, or a loan stock issue or both, UMW said. The group wants to raise 61m ringgit, just over half to pay debts.

UMW is also negotiating with Toyota for a car manufacturing licence, which indicates that it is considering building a rival to the Proton national car which has since 1985 taken more than 70 per cent of the 100,000 units a year domestic car market. After displacing local assemblers, Proton's sales are nearing its 80,000 units a year production capacity.

All divisions help Schering achieve a 42% increase

By Andrew Fisher in Frankfurt

SCHERING, the West German pharmaceuticals and chemical company, raised group net profits by 42 per cent to DM223m ($133m) last year, with all sectors contributing to the increased business volume.

Business was especially buoyant in the UK, the US, and Japan, though the weakening of the yen dampened Japanese earnings in D-Mark terms. Group profits increased at a much faster rate than turnover – up by 11 per cent to DM5.8bn – because of the much improved level of capacity utilisation. Foreign turnover was 12 per cent higher at DM4.7bn, with domestic turnover up by 8 per cent to DM1.2bn.

By far the most rapid pace of sales improvement was in the pharmaceuticals division, with a 15 per cent increase to DM3bn. This stemmed mainly from X-ray contrast agents, especially in the US and Japan, with turnover of these products exceeding DM1bn for the first time, and from oral contraceptives.

Schering also benefited from the worldwide recovery in agrochemicals, where its sales rose by 6 per cent to DM1.4bn. In western Europe, sales of wheat fungicides and beet herbicides benefited from the effects of good crop weather.

Helped by the favourable trend in the electronics industry, Schering's electroplating activities also put on a 6 per cent sales rise to DM340m. It reported a high degree of success with chemicals used in the making of printed circuits.

In its industrial chemicals division, where turnover went up by 9 per cent to DM1.1bn, Schering said business in synthetic resins and organo-metallic compounds was favourable, though the trend in oleochemicals was mixed.

Parcels hold Securicor to 40%

By Andrew Hill in London

SECURICOR Group disappointed the London stockmarket yesterday, in spite of announcing a 40 per cent rise in pre-tax profits last year, as it emerged that slackening consumer spending had hit the core parcels division of Security Services, its 51 per cent-owned sister company.

Security Services' profits advanced by nearly 30 per cent, but shares in both companies slipped. Most of the increase came from continued strong performance of the Cellnet mobile telephone network, in which the two companies have a 40 per cent stake. The rest is owned by British Telecom.

Mr Chris Shirtcliffe, finance director of both companies, dismissed widespread rumours that BT and Securicor were poised to float off Cellnet.

Profits at the parcel and security division, operated by Security Services, slipped 19 per cent to £15m ($25.2m) in the UK. Securicor's employment services and vehicle dealerships were also hit.

Mr Shirtcliffe said: "Parcels tend to be a very early barometer of the climate in the High Street."

He added that the group had also spent money on expanding its continental parcel service in preparation for the single European market.

Securicor's pre-tax profits rose 40 per cent to £38.2m in the year to September 30, against £27.3m. Services made £28.2m before tax.

The companies' share of profits on Cellnet subscriptions and calls – taken in full in the Securicor accounts – was more than seven times higher than in 1987-88 at £19.2m. However, Securicor has continued to lose money on the retailing of Cellnet units in an attempt to build up the subscriber base. The communications division, which includes the retail operations, lost £3.6m during the year, against £1.36m in the equivalent period.

Securicor's earnings per share rose from 10.6p to 16.3p. Turnover rose from £446m to £502m and a final dividend of 1.076p was recommended, making 1.516p (1.296p) for the year.

Securicor's ordinary shares fell from 925p to close at 887p in London, while the more numerous 'A' shares slipped 8p to 803p.

COMPANY NEWS IN BRIEF

Siemens says it might acquire a majority stake in Robotron, the leading East German computer maker, if East German laws will permit such a move, Reuter reports.

In an interview to be published today in a West German newspaper, a Siemens representative is quoted as saying co-operation may range from joint ventures to buying a majority interest.

Robotron, which has around 70,000 employees, is one of the most advanced high-tech companies in the eastern bloc but lags behind Western electronics companies by many years.

■ Volvo North America, a unit of Sweden's Volvo, says it has agreed to acquire a 20 per cent equity interest in IJ Holdings, Minstar's parent company, for $100m, Reuter reports.

The company says the transaction, which involves conversion of the Minstar note which Volvo purchased on October 21, 1988, is subject to government approval.

■ Aachener & Münchener Beteiligungs has entered the property market for the first time by acquiring 50 per cent of Hans-Joachim Blumenauer Holding, one of West Germany's biggest brokerage concerns, AP-DJ reports. Terms were not disclosed.

■ Iveco-Unic, the French commercial vehicle subsidiary of Italy's Fiat, may invest nearly FFr1bn ($176m) to increase production at its Bourbon-Lancy engine factory, Mr François Marc, chairman, said.

French boat builder wins FFr53.8m in damages

By George Graham in Paris

BENETEAU, the leading French yacht and pleasure boat builder, has been awarded preliminary damages of FFr53.8m ($9.47m) against a supplier after a five year legal battle. The award covers material and commercial damages stemming from faults in the hulls of a series of Bénéteau boats.

The faults resulted from a chemical change in a catalyst supplied by Société Chalonnaise de Péroxydes Organiques (SCPO), a subsidiary of Air Liquide of France and Solvay of Belgium.

The episode forced Bénéteau to recall for repair more than 900 boats in its "First" series, and its results fell from FFr51m in 1985 to FFr6m in 1987. In addition to the cost of repairs, Bénéteau's reputation in the yacht market suffered.

Sales stagnated in 1986 and 1987, but rose to FFr814m last year, with profits recovering to FFr52m, the same level as 1985.

The court set the cost of treating the hulls at FFr9.7m, and set commercial and financial damage at another FFr62m. SCPO, together with its insurer, Union des Assurances de Paris (UAP), has been ordered by the court to bear three quarters of these costs.

This award covers only the period up to August 31 1987, however, by when about 300 boats had been treated. Since then, 600 more boats have been set to rights, with a more costly treatment. Perhaps 100 have still to be treated.

The cost of material for this later period may, therefore, be considerably higher, but it is difficult to assess how much of the commercial damages can be attributed to this time.

Bénéteau has produced a range of sea-going cruisers named Oceanis, which accounts for 38 per cent of production, and increasedof Antares and Flyer motorboats, now 28 per cent of production.

The group claims 18.5 per cent of the sailing boat market in Europe and 11.5 per cent in North America and the Far East, while in motor boats its market share is 9.5 per cent.

Draught of new ideas at Heineken

Laura Raun finds a shake-up in parts that others have not reached

Heineken has always been considered one of the best employers in the Netherlands – providing job security, good pay and family-like atmosphere. The Dutch brewery, which is well known abroad, has never fired workers in its home market.

So when Heineken said last week it planned to scrap 700 of its 4,000 jobs in the Netherlands – 17.5 per cent of its Dutch workforce – by 1993, many were shocked.

Mr R.V. Strobos, director of Heineken Nederland, the group's Dutch subsidiary, said operating costs must be lowered and efficiency increased to cope with relatively flat sales, changing tastes and stiff competition.

The reorganisation, which analysts believe will cost around Fl 50m ($26.5m), has drawn a mixed reaction. Trade unions, not surprisingly, are threatening to strike.

Investors have marked down the share price by several guilders – it closed yesterday at Fl 114.50 against about Fl 118 shortly before the announcement. Some securities analysts think the plan will pay off in the long run, but others worry it lacks a creative response to market pressures and focuses only on cost-cutting.

The sweeping shake-up is the first significant move by the new management since Mr Freddy Heineken, grandson of the founder, stepped down as chairman last year. The plan is designed to prepare the company for the 1990s and suggests a more business-like style, leaner operations and greater focus on the home market.

Mr Heineken, a flamboyant industrialist and billionaire who still controls the company through a complex holding structure, relied heavily on intuition and inherited right to run the company. With his flair for imaginative advertising Mr Heineken created a glamorous image for his beer by evoking a fashionably convivial atmosphere.

Freddy Heineken: created a glamorous image for his beer

The company, which has always been internationally oriented because of the small home market, expanded rapidly in southern Europe. Breweries in France and Spain have soaked up hundreds of millions of guilders in an effort to make money for Heineken.

As a premium-quality beer enjoying a dominant position in its home market, Heineken grew too confident and complacent, critics argue. Mr Henk Walravens, district manager of the Industry Union FNV, says: "Their reasoning was if you make a Mercedes then you don't also make a Volkswagen." Competitors such as Dommelsch, made by Belgium's Interbrew, responded more quickly to changing tastes, he adds. The new management apparently is aiming for a slimmer, more agile, more competitive company with a more sober style. The home market, where nearly one quarter of all beer is brewed, is commanding more attention. Heineken is responding to social trends that have buffeted the whole alcoholic beverages industry for several years.

Health-conscious customers drink less distilled spirits and are switching to mineral water, wine or beer with low alcohol, no alcohol or fewer calories – spurred on by government campaigns.

Young guzzlers are less loyal than older ones and like different kinds of brew such as "dry" or dark ones. The elderly imbibe less than youth so a greying population is a concern.

In the Netherlands the beer market has stabilised at around 70 litres per person per year. However, Heineken is in the pils sector, which is shrinking. Mr Strobos warned last week these trends will continue in the 1990s.

Overall responsibility for meeting those challenges lies with Mr Gerard van Schaik, a 30-year veteran of Heineken, who took over as chairman in April 1989. He is the first manager from outside the family to run the business except for a short time before Mr Freddy Heineken became chairman in 1971.

Mr Strobos also took charge of Heineken Nederland in April 1989 when most of the subsidiary's top management was ousted in a surprise shake-up. These professional managers are seen as willing to put the knife into the company where Mr Heineken was unwilling to cut.

Heineken, with sales of Fl 7.3bn in 1988, is the third largest brewer in the world behind Anheuser-Busch and Miller of the US. Sold in more than 160 countries it is by far the most international beer: Heineken was the first foreign beer to enter the US after the end of Prohibition.

In the US Heineken remains the leading foreign beer with about 25 per cent of the import market but that has shriveled from 50 per cent in the late 70s. Stiff competition from Mexican brews and a weak dollar have dried up US sales, which reportedly slipped 2 per cent in 1989.

In the Netherlands, Heineken's market share has plunged from a high of 58 per cent in 1980 to about 52 per cent in 1989 but bounced back a bit with the acquisition of a small brewery in the south of the Netherlands last year.

"Margins on production at home used to be the widest but those have narrowed," according to Mr Roel Gooskens, an analyst with the Amsterdam brokerage firm of Van Meer James Capel.

Heineken Nederlands' operating income dropped to Fl 59m in 1989 from Fl 81m in 1986, according to the 365-page report given to workers last week.

Since 1986 group earnings have edged up only about 1 per cent a year, to Fl 291m in 1988, while revenue has risen 4.5 per cent annually. Earnings in 1989 are expected to climb more robustly but faster growth is needed.

Heineken's strategy for the 90s includes the continued introduction of products to appeal to an ever more segmented market. Marketing policies will be sharpened in an attempt to suck in more drinkers.

However, another analyst cautions that it "takes megabucks to launch new products" and worries that "me-too products" will have difficulty carving out a market niche.

Pharmacia in US patent win

By John Burton in Stockholm

PHARMACIA, the Swedish pharmaceutical company, yesterday proclaimed victory in a patent infringement suit against a US company concerning Healon, its biggest-selling product.

A US district court in Boston issued a preliminary injunction barring Med-Chem Products of Woburn, Massachusetts from producing or selling similar eye-surgery products until the case is finally tried, probably later this year.

"This is naturally a very great success for us," said Mr Erik Danielsson, Pharmacia chief executive. "We have been hard hit in recent years by this patent infringement. However, it is difficult to estimate exactly how much this means in financial terms."

Pharmacia estimates Healon has 65 per cent of the $80m US market for viscoelastic products for eye surgery, while Med-Chem has 15-20 per cent. Med-Chem has said it risks losing a third of its annual sales of $23m as a result of the suit.

Insurance group up to FFr2.85bn

UNION des Assurances de Paris, the French state insurance group, estimated that its attributable net profit in 1989 rose by 15 to 19 per cent from the 1988 level of FFr2.85bn ($501m), Reuter reports.

UAP estimated that turnover last year rose to FFr64bn from FFr55.6bn in 1988.

INTERNATIONAL CAPITAL MARKETS

A public spirit looks to private means

SNI, the Belgian *state-controlled* investment group, has made a novel approach to the capital markets, writes Tim Dickson

Mention the word "privatisation" and like many of his fellow Belgians Mr Philippe Wilmes winces visibly.

"It's too full of ideology and political feeling," says the chairman of Société Nationale d'Investissement (SNI), Belgium's state investment company, with undisguised distaste.

SNI's recent decision to seek buyers for BFr1.2bn ($34m) of shares in a newly-created holding company is none the less noteworthy for being the first time a Belgian state-controlled enterprise has approached the private capital markets in this way.

The operation, spearheaded by the small but innovative Bank de Groof, is also significant for introducing a new financial instrument to the Belgian market – non-voting preferred shares or participation certificates – which enthusiasts believe may prove an attractive option for other companies in the public and private sectors alike.

New capital is needed, says Mr Wilmes, because the figure of about BFr2bn which SNI receives annually in dividends, interest payments and capital gains is proving insufficient to finance its growing ambitions. The market value of its assets has been estimated at more than BFr20bn.

The first step to attract private backing was taken discreetly last August with the formation of Sofinim, a holding company into which SNI has injected around BFr4bn of key assets.

These include a 2.9 per cent stake in Sabena and 48 per cent in both Synvest (a leading shareholder in the Flemish publishing group VUM) and Anbema (a 25 per cent shareholder in Ahlers, the Antwerp group which in turn holds part of a key minority in the shipping company CMB). Other assets include 10 per cent in Belgamanche (which has a stake in Eurotunnel), and 3.2 per cent in Compagnie Nationale à Portefeuille (CNP), another financial holding company with stakes in Petrofina, Groupe Bruxelles Lambert and Cobepa.

Around 70 per cent of the portfolio is unquoted, most of it in small and medium-sized companies. Mr Wilmes says these assets all conform to Sofinim's investment objectives, namely to seek companies which offer both an immediate flow of income and good potential for capital growth.

The real novelty, however, lies in the participation certificates which bring non-voting shares to Belgium for the first time (although in a country not noted for treating minority shareholders with much respect this is only technically true).

In return for losing their franchise, holders of the certificates – which in time are likely to be quoted on the Brussels bourse – receive special privileges, notably a preferred "superdividend" cumulative so that any missed payment is added to the following year's payout.

The certificates are convertible into subordinated loans in the event of three years of missed dividends, are automatically repayable at market value plus a 15 per cent premium following a successful takeover bid or "similar operation," provide the opportunity to vote at an AGM where other shareholders are attempting to alter the rights, and enjoy preemption rights if and when new certificates are issued.

Sofinim's supporters point out that the new holding company has been set up outside the social and strategic objectives which apply to SNI as an 83 per cent state-owned entity. They believe that certificate holders are well compensated for allowing the state to retain 100 per cent control.

Critics, on the other hand, are tempted to see Sofinim as just another holding company in a country where holding companies have proliferated on the back of once highly attractive but now somewhat less compelling tax privileges. They say its portfolio lacks a clear identity and remain sceptical about the management team's ability to add value to the investment.

Yet Mr Dominique de Ville of Bank de Groof is confident the offer will be fully subscribed by the end of this week. And given the interest already expressed by the bank's clients – notably from family-owned businesses – he is confident that SNI's issue of participation certificates will not be the last.

Ontario watchdog plans to strengthen its powers

By Robert Gibbens in Montreal

THE ONTARIO Securities Commission (OSC) wants to broaden its regulatory and auditing powers to include jurisdiction over professional bodies which have the potential to harm the securities' markets by negligence or misconduct.

If implemented, such powers would allow the OSC, Canada's leading securities watchdog, to stop individuals – lawyers, accountants, consultants and mining engineers – from working for publicly-traded companies and investment dealers and to sanction individuals for misconduct.

The changes are included in a package of regulatory amendments proposed to beef-up the OSC's investigation and enforcement powers under the Ontario Securities Act.

Securities' trading is a provincial area of jurisdiction in Canada and jealously guarded. Attempts to set-up a national securities' watchdog on the lines of the US Securities and Exchange Commission have failed repeatedly over the past 25 years.

The Quebec Securities' Commission, the second most important in Canada and itself an innovator over the past 10 years, supports the general tenor of the OSC proposals. However, they are certain to generate a heated debate.

"There is concern the OSC is arming itself to the teeth," said Mr Donald Brown, partner in the Toronto legal firm of Blake, Cassels and Graydon. "They're proposing to expand their regulatory authority to professionals and many others who make a living in the securities' industry."

Mr Selwyn Kossuth, OSC executive director, said such professionals are the gatekeepers of the whole system.

The proposals are designed to keep the OSC's regulatory powers in line with evolving capital markets and to remove several legal stumbling blocks in OSC prosecutions, he said.

They are also aimed at providing an early-warning system should a brokerage house fail. There have been two prominent cases in the past two years, with heavy losses to the securities' industry.

The OSC's proposed package of measures includes:

- Monitoring of promotors, transfer agents and managers and custodians of mutual fund assets, with a requirement for full record-keeping.
- Provision for OSC disclosure of information to other regulators in the public interest.
- Charges for the cost of investigations and authority to block distribution of misleading corporate information.
- The right to co-operate fully with police agencies and the SEC in market manipulation, money-laundering and other criminal investigations, replacing the present informal cooperation.
- Power to investigate securities' trading violations in jurisdiction outside Ontario.
- Audit powers would be expanded to ensure capital adequacy and reporting standards by a much broader range of "market participants."

The OSC has set a timetable of mid-April for the securities industry comments on the proposals.

Liffe reports January surge

By Deborah Hargreaves

ACTIVITY at the London International Financial Futures Exchange soared in January when trading volume more than doubled from its December level. The rise in volume was spread fairly evenly across the exchange with several contracts hitting new highs.

Liffe's trading volume surged to a record 3.1m contracts in January from 1.3m lots last December. The exchange saw activity on its floor rise above that of its European rival, the Matif, where January volume was up by 50 per cent to 2.6m lots. Matif had outstripped Liffe in its trading level for last year.

The burst in activity at Liffe was spread throughout the exchange's contracts with its long gilt, bund and FT-SE 100 index futures posting a notable rise in volume. Matif saw a rise in interest in its CAC-40 stock index futures contract where volume rose to 106,114 in January, but the exchange continues to be dominated by its long-term bond futures and options contracts.

Jakarta Fund offers $5m common stock

JAKARTA FUND, a new closed-end investment company, has filed with the US Securities and Exchange Commission to offer $5m of common stock at $12 per share, AP-DJ reports.

Jakarta Fund said it plans to invest at least 65 per cent of its assets in equity securities of Indonesian companies and in equity securities of non-Indonesian companies that derive a significant portion of their revenue from Indonesia. Subsidiaries of Nomura Securities will act as Jakarta Fund's manager and investment adviser.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 6

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria 9⅝ 93	140	101⅝	102⅛	+0⅛	+0½	8.89
B.F.C.E. 8¾ 94	175	97	97½	−0⅛	0	9.12
B.F.C.E. 9¼ 95	150	100¼	100⅝	0	0	9.12
Brit. Tel. Fin. 9⅜ 98	250	100⅜	101	−0¼	+0⅛	9.26
Canada 9 96	1000	100⅝	100⅞	−0⅛	−0⅛	8.86
C.C.C.E 9¼ 95	300	100¼	100¾	0	0	9.11
C.N.C.A 9⅜ 93	150	†100	100½	0	0	9.26
Credit National 8⅛ 93	200	†97½	98	0	+0⅛	9.07
Credit National 7⅜ 92	100	96¾	97⅛	0	0	8.90
Credit National 9½ 92	160	†101	101½	+0⅛	+0⅛	8.98
Dai-Ichi Kan 9⅜ 92	150	100½	101⅛	−0⅛	−0⅛	9.24
Denmark 8¾ 94	150	†96¼	96⅝	−0⅜	−0⅛	9.24
E.E.C. 7 91	100	96⅞	97⅜	0	+0⅛	8.75
E.E.C. 10 93	140	†102¼	102⅝	−0⅛	−0⅛	9.08
E.I.B. 8½ 99	150	94⅜	95¼	−0⅛	0	9.29
Eurofima 10⅛ 93	100	†102¼	102⅝	−0⅛	−0⅛	9.20
Elec. De France 9 98	200	98⅜	98⅞	−0⅛	−0¼	9.24
Elec. De France 9½ 99	200	†100⅞	101	−0¼	+0⅛	9.33
Finland 9 96	250	99	99⅜	−0⅛	0	9.14
Finn.Exp.Cd. 8½ 92	200	98¾	99¼	0	0	9.02
Finn. Exp. Cd. 9⅜ 95	200	100⅜	100¾	−0⅛	−0⅛	9.24
Ford Motor Credit 8 91	250	†98⅝	99⅛	0	+0⅛	9.06
Gen.Elec.Cap.Corp. 9 93	500	†99¾	100¼	0	+0¼	8.98
Gen.Elec.Cap.Crp.10 1/291	300	101⅜	101¾	0	0	8.98
G.M.A.C. 8¾ 94	500	†96¾	97¼	−0⅛	0	9.54
G.M.A.C. 9 96	300	97⅜	97⅞	0	+0⅛	9.49
Gen.Mtrs.Corp. 9⅛ 92	200	99½	100⅛	0	+0¼	9.20
IBM Credit Corp. 8⅝ 92	400	99	99⅜	−0⅛	+0⅛	8.92
IBM Credit Corp. 8⅞ 91	250	99½	100	0	0	8.99
IBM Credit Corp. 9 92	250	99⅞	100⅜	0	+0⅛	8.90
IBM Credit Corp. 9½ 92	250	100⅞	101⅜	+0¼	+0¼	8.86
Italy 8½ 94	1500	97⅜	97¾	−0⅛	−0⅛	9.12
Italy 9½ 95	1000	101⅛	101⅜	−0¼	−0¼	9.17
Italy 9⅝ 99	1000	101⅝	101⅞	0	+0¼	9.33
Itoh C. W/W 4⅝ 94	1000	†111	112½	+0⅛	+2⅜	1.81
Japan Dev. Bank 10 96	200	103⅜	103¾	0	+0⅛	9.19
KFW Intl. Fin. 9 94	300	99⅛	99⅜	0	−0⅛	9.15
L.T.C.B.of Japan 9¼ 92	200	99¾	100¼	0	+0⅛	9.22
New Zealand 9 94	850	98⅜	98¾	−0⅛	0	9.39
Nippon Tel.&Tel. 9⅜ 98	250	100⅛	100⅝	0	0	9.30
Norway 8¾ 93	500	99⅛	99⅞	0	0	8.88
Portugal 8¾ 91	300	†98⅝	99⅛	—	—	9.31
Sumitomo Corp. W/W 4 93	1500	†118½	119½	+0¼	+1⅜	−1.43
Sweden 8¾ 96	200	98⅜	98¾	−0⅛	0	9.07
Toyota 9½ 91	200	100⅜	101	0	−0¼	9.09
Toyota Mtr.Corp. W/W 4 93	1500	†104½	106	−0½	+0⅛	2.34
Victorian Rep 11⅝ 92	150	104	104½	0	0	9.37
World Bank 8⅜ 99	1500	96⅛	96½	−0⅛	−0⅛	8.83
World Bank 9 97	300	99	99⅜	−0¼	−0⅛	9.15
World Bank 9 93	300	100¼	100⅝	0	0	8.84
World Bank 9¾ 98	300	99¾	100⅛	−0⅛	0	9.24
World Bank 9⅝ 99	500	102¼	102½	−0⅛	+0⅛	9.22
World Bank 9¾ 96	300	†102⅜	102¾	0	0	9.19

Average price change... On day −0⅛ on week +0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	†90½	91	−0½	−0⅜	8.39
Austria 6¼ 99	750	†90	90¼	−0⅞	−1¼	8.32
Bk.Frgn.Econ.USSR 7 96	750	*†89¾	89¾	0	−0½	9.25
Bank of Tokyo 5¼ 93	100	†93	93½	−0¼	−0¼	8.33
Commerzbank o/s. 5⅜ 93	300	†93	93½	0	−0¼	8.05
Credit Foncier 6¾ 99	500	†90¾	91	−0⅛	−0⅜	9.26
E.I.B. 6¼ 99	600	†87	87¼	−0⅞	−0⅞	8.34
E.I.B. 6½ 99	300	†90⅜	90¾	−0¼	−1⅛	8.01
E.I.B. 6⅜ 96	600	†92⅞	93⅜	−0⅜	−0⅞	8.07
E.I.B. 6⅞ 95	300	†93¾	94¼	−0¼	−0⅜	8.21
E.I.B. 8 2000	500	†99⅜	99½	−0⅞	−0¼	8.07
Euro.Coal& Steel 7¾ 94	100	†100⅞	101⅛	0	−0¼	7.49
Eurofima 6¼ 96	100	†90¼	90⅞	0	+0¼	8.21
Elec De France 5¾ 97	300	†85¼	85¾	−0½	−0⅜	8.47
Hydro-Quebec 6⅞ 99	300	†89½	90	−0½	−0¼	8.39
Japan Dev. Bk. 5⅜ 95	300	*†88	88	0	−0¼	8.29
Japan Finance 5¾ 97	100	†86	86½	0	−0⅜	8.42
I.A.D.B. 7¾ 99	300	†93½	93¾	−0½	−0⅞	8.24
Ireland 6½ 97	300	†89	89½	0	−0⅜	8.54
Ireland 7¼ 99	500	†91½	92¼	−0⅞	−1¼	8.51
Malaysia 6¼ 94	150	†94¾	95¼	0	0	7.61
Nat. West BK. PLC 6 98	300	*†86¼	86¾	0	−0⅜	8.37
Nippon Telg.&Tel. 6 95	400	*†91⅞	91⅞	0	+0⅛	6.70
Oesters. Kontbk. 5 93	300	†92¼	92⅝	−0⅛	+0¼	7.97
Portugal 5¾ 92	150	†94	94½	0	+0¼	8.38
Portugal 6⅜ 95	150	†92¼	93¼	0	−0¼	8.25
Royal Insurance 5½ 92	300	†94½	95	−0½	−0¼	8.22
Turkey 6½ 95	500	*†90⅞	90⅞	0	+0¼	8.85
Union Bk.Finland 5½ 94	200	†90½	91	—	—	8.34
World Bank 6 98	500	†85⅝	85⅞	−0⅝	−1	8.36
World BK. 6¼ 97	600	†88¼	88⅝	−0⅜	−1	9.55
World Bank 6¾ 99	600	†90	90¼	−0¼	−0⅞	8.28

Average price change... On day −0½ on week −0⅝

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†86	87	0	0	7.72
Asfinag 5 03	100	†82	82½	+0⅝	+1¼	7.08
B.F.C.E. 4½ 98	200	†85¼	85½	+0¼	+0⅞	6.83
B.M.W.Fin.Neth. 5 13	150	†76½	77	−0¼	−1⅛	7.06
Britannia B/S. 4¾ 94	100	†87¼	87¾	0	+2⅞	7.74
CIR. Int. W/W 3 93	125	*†84⅛	84⅛	0	+0⅜	8.34
Credit Lyonnais 4¾ 00	100	†80	80¼	−5	+2⅝	7.59
E.I.B 4⅝ 98	150	†83½	84	−0⅞	0	7.28
Finn. Exp. Cd. 8¼ 92	75	†98¾	99¼	−0⅛	−0⅛	8.65
Fletcher Chall. 4⅞ 98	150	†73	74	−0½	+0¼	9.71
I.A.D.B. 6 2004	200	†91	92	+0¼	+2	6.94
Kobe City 4⅝ 98	150	†83½	84½	+0½	+1½	7.22
Leeds Perm. B/S. 4¾ 93	200	†86½	87	+0¼	−0¼	9.09
Malaysia 5¼ 98	100	†78	79	+0⅜	−2⅛	8.99
Maxwell Comm.Grp. 5 95	150	†81	82	−0⅛	0	9.56
Nat.Bk. Hungary 5½ 94	75	†85¼	85¾	0	−1⅜	9.37
Nationwide Ang.B/S. 4 93	200	†85¼	86½	−0⅜	−0½	8.95
Prov. Newfoundland 5 03	150	†81½	82½	+0½	+1½	7.08
Thailand 4⅝ 95	200	†83	85	+2⅞	+1½	8.41
World Bank 5 03	150	†81½	82½	+1⅛	+0¼	7.11

Average price change... On day +0⅛ on week +0½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99¼	99½	0	−0¼	6.75
Canada 5⅜ 93	80	96½	96¾	0	−0¼	6.74
Cr.Local France 6¼ 94	300	97	97¼	+0⅛	+0⅛	6.55
Denmark 6¼ 95	300	97¼	97½	0	0	6.53
E.I.B. 4⅞ 93	30	94⅝	94⅞	0	−0⅛	6.82
Norway 5⅛ 95	50	93¼	93⅝	+0⅛	−0¼	6.65
Sweden 4⅝ 93	50	93⅝	93⅞	0	−0¼	6.81
World Bank 5⅛ 98	10	89¼	89⅞	0	−0⅛	6.85
World Bank 7 94	20	100⅝	101⅛	0	0	6.74

Average price change... On day +0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10¼ 94 C$	150	95⅝	96	−0⅛	−1⅜	11.50
Abbey Nat. 11⅝ 93 £	100	94⅞	95⅜	0	−0¼	13.72
Aegon 7¾ 92 Fl	100	98¼	98⅜	−0⅛	−0½	8.03
Alg. Bk. Ned. 5¾ 93 Fl	200	92⅛	92⅝	0	−0⅛	8.65
Austria 7½ 94 ECU	100	90⅝	91⅛	−0¼	−1¼	10.31
Barclays Aus.13½ 91 A$	100	97¼	97¾	−0⅛	+0¼	15.14
Belgium 8⅛ 94 Ecu	150	92	92½	−0¼	−0⅜	10.56
Bell Canada 10⅞ 04 C$	200	—	—	—	—	—
BP Capital 9¾ 93 £	100	90⅜	90⅞	+0⅛	−0⅛	13.53
British Airways 10 98 £	100	85¾	86¼	0	−0⅜	12.88
Brit. Telecom 9½ 93 £	150	†90½	91	0	−0⅛	13.32
Comm.Bk.Aust. 12⅝ 93A$	100	—	—	—	—	—
Comm.Bk.Aus.13¾ 94 NZ$	60	103¼	104¼	0	+0¼	12.55
Credit Foncier 9 96 Ecu	100	94⅜	94⅞	−0¼	−1⅛	10.16
CrLocalFrance 9¼ 92Ecu	100	97⅜	98	−0¼	−0⅞	10.39
Deut.Bk.Aus. 13¾ 93 A$	125	99	99½	−0⅛	0	13.60
Deutsche Bk. Fin. 15 94 A$	100	102⅝	103⅛	−0⅛	+0¼	13.99
Elec.De France 9¾ 99C$	150	92⅛	92⅝	−0⅜	−0½	11.06
E.I.B. 7 96 LFr	100	†93	94	−0⅛	−0½	8.43
E.I.B. 7⅛ 99 Fl	150	90¾	91¼	−0⅜	−0⅝	8.53
E.I.B. 9 99 Ecu	150	94⅛	94⅝	−0¼	−1¼	9.95
Eurofima 7⅝ 94 Ecu	100	91¼	91¾	−0⅜	−0½	10.34
Export Dv.Crp.8¾ 92Ecu	100	96½	96⅞	−0¼	−0⅝	10.49
Fed.Bus.Dv.Bk. 9 94 Ecu	100	94⅞	95⅜	−0⅜	−0¼	10.41
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†96⅜	96⅞	0	−0¼	11.42
Ferrv. Stato 7¾ 93 Ecu	100	†91⅝	92⅛	−0¼	−0⅜	10.75
Ford Cr.Can.10¾ 93 C$	100	†97⅝	98⅛	0	−0¼	11.62
Ford Cred.Can.10⅞ 96C$	125	97⅜	97⅞	−0⅜	−0⅛	11.46
Ford Cred.Fund.10¾ 93£	60	91¾	92¼	+0⅛	−0½	13.56
G.M.A.C.Canada 11 3/494C$	100	100⅜	100¾	−0¼	−0¼	11.56
Heineken 7⅝ 94 Fl	150	96⅞	97⅜	−0¼	0	8.01
Hydro-Quebec 11 99 C$	400	†99	99¼	−0⅜	−0⅛	11.16
Lloyds Bank 10¼ 98 £	150	86⅜	86⅞	−0⅛	−0½	13.01
Lloyds Bank 11⅜ 98 £	100	90⅜	91⅛	−0¼	−0⅝	13.19
Nat. Aus. Bk. 14¾ 94A$	100	100¼	100⅝	0	+0½	14.61
New Zealand 9½ 93 £	100	89⅛	89⅝	+0⅛	−0½	13.75
O.E.K.B. 10¼ 99 C$	150	94⅞	95⅜	−0¼	+0⅛	11.11
Royal Bk.Scot.10⅝ 98 £	125	88½	89	0	−0⅞	12.98
Saskatchewan 10¼ 93 C$	200	96⅞	97⅜	0	0	11.19
State Bk.NSW. 13⅞ 93A$	100	98⅝	99⅛	+0¼	+0⅜	14.23
Sweden 7½ 93 Ecu	250	90⅞	91⅜	−0¼	−0⅜	10.49
Sweden 15 94 A$	100	103	103⅜	0	+0⅝	13.92
Toyota Mtr.Cr.10⅞ 94C$	150	96⅛	96⅞	−0¼	−0¼	11.26
Toyota Mtr.Cr.11¼ 92C$	150	99⅛	99⅝	−0⅛	0	11.63
World Bank 7⅛ 99 Fl	300	90⅜	91¼	−0⅜	−0⅜	8.55
World Bank 10⅞ 94 £	200	93⅛	93½	−0¼	−0½	12.88
World Bank 13⅜ 92 A$	100	99⅞	100⅛	0	+0¼	13.33
World Bank 14¼ 94 A$	75	100⅞	101⅜	−0⅛	+0¼	13.83
Zentrspk. 13¼ 93 A$	75	†98	98½	+0⅛	+1¼	13.82

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.91	99.96	24/04	15.33
Bank of Greece 99 US	†0¼	99.20	99.30	8/03	9¼
Belgium 91 US	0	100.11	100.20	21/02	8.81
[illegible] 94 £	.063	99.82	99.87	28/02	15.31
[illegible] 98 US	.063	99.80	99.90	20/04	8.31
[illegible] 99 DM	†.031	100.17	100.27	28/04	6.97
[illegible]	†0	100.20	100.30	22/02	6¼
[illegible] £	.1	100.01	100.06	9/02	15.16
[illegible] 94 £	0¼	99.97	100.07	17/04	15½
[illegible] 94 £	0⅛	100.04	100.09	17/04	15.37
[illegible] 5 93 £	0⅛	99.90	99.95	29/03	15¼
[illegible] 97 £	.07	100.00	100.10	22/02	15¼
[illegible] 92 £	0½	99.83	99.88	30/04	15.18
[illegible] 98 US	.188	100.01	100.11	11/02	8.81
[illegible] BS. 93 £	0⅛	100.01	100.06	17/04	15.37
[illegible] £	0⅛	100.00	100.05	22/02	15.31

Average price change... On day 0.00 on week −0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
[illegible]	8/87	62.	109⅛	110⅛	+0½	8.96
[illegible] 02 US	9/87	56.7	117¼	118¼	+0½	0.58
[illegible]	3/87	1.64	101¼	102¼	0	48.99
[illegible]	4/87	200.	—	—	—	—
[illegible] 04 US	7/89	3486.	91⅜	92⅜	+0⅛	7.97
[illegible] 95 US	2/90	1628.	96⅛	97⅜	−0⅜	−0.66
[illegible] 2 US	4/87	66.75	72¼	73¼	0	84.78
[illegible] ½ 03 £	9/88	4.8	93⅜	94⅜	+0⅛	3.59
[illegible]	5/84	1106.	221½	222½	+0⅞	0.09
[illegible] 04 £	6/89	3.55	100⅞	101⅞	−0½	13.17
[illegible] 2 £	6/87	6.72	85¼	86¼	+0⅜	13.66
[illegible] 2¼ 94DM	†2/86	1004.	104½	106	−0½	10.32
[illegible] US	9/87	69.62	94¼	95⅛	−0¼	19.56
[illegible] ½ 04US	5/89	3266.	88	89	+0¼	6.25
[illegible]	11/87	4.3	95⅞	96⅞	+0⅛	318.60
[illegible] 3 US	4/88	804.	150⅛	151⅛	+3⅛	0.92
[illegible] 04 US	10/89	28.	100⅛	101⅜	−0½	29.86
[illegible] 2 US	4/87	1310.	268	269	−1	−9.66
[illegible]	†1/88	3.5	124½	125½	−0⅛	0.57
[illegible]	1/87	5.4	106⅝	107⅝	−0¼	1.31
[illegible] 3 £	†10/89	4.41	83⅞	84¼	−0¼	54.81
[illegible] US	†6/89	23.18	128⅜	129⅜	−0⅜	−1.77
[illegible] 04 US	2/89	3897.	84¾	85¾	+0¼	12.85
[illegible]	9/87	82.87	76⅛	77⅜	0	89.44
[illegible]	10/89	8.77	118⅝	119⅝	−0¼	154.05
[illegible]	9/87	42.12	90½	91½	−0¼	28.29

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

US Treasuries hit by doubts over refunding demand

By Janet Bush in New York and Martin Dickson in London

US TREASURY *bond prices* continued to erode yesterday morning ahead of the first auction of the Treasury's quarterly refunding, the sale of $10bn in three-year notes and did not appear to get much of a lift immediately after the results were announced.

GOVERNMENT BONDS

In late trading, short-dated maturities were quoted around ⅛ point lower while some long-dated issues stood as much as ½ point lower. The benchmark long bond was quoted ⅝ point lower for a yield of 8.57 per cent.

The three-year auction was expected to be the easiest to sell because of the popularity of short-term instruments at times of interest rate and political uncertainty and because yields have risen sharply in when-issued trading. Much concern surrounds today's 10-year sale and tomorrow's 30-year auction, each $10bn.

A survey of 38 Japanese financial institutions by Daiwa Securities Co in Tokyo suggested that there should be sufficient interest from Japanese investors but that the share of the total $30bn refunding was likely to be at the low end of the 20 per cent to 50 per cent range seen recently.

The sharp rise in yields since the start of this year should have allayed fears that the refunding would not go well.

■ *WEST GERMAN Government bond prices plunged* yesterday for the second day running as talk of monetary union with East Germany reinforced fears over inflation and interest rate levels. Substantial selling was reported in the cash market while a record number of Bund futures contracts – 78,708 – were struck on the London International Financial Futures Exchange. The previous record was 77,532 lots on October 16.

The market opened around yesterday's closing level but then fell away sharply – in spite of a firmer D-mark. The Federal Government's 7¼ per cent January 2000 issue was fixed nearly a point down at 95.56, *to yield 7.91, against a* fixing of 96.47 yesterday and an overnight level around 96.20. In late trading it was quoted some 10 pfennigs lower.

Talk of earlier than expected monetary union of the two Germanies was a bearish factor, prompting fears that control of money supply would be weakened.

■ UK GOVERNMENT gilts ended about ¼ point higher at the long end after a day of thin trading. The sector managed to buck the general downward trend in international bond markets, led by the plunging West German market.

Analysts said the UK rebound was partly technical and partly a view by some investors that Monday's steep dive was overdone. On Monday the benchmark Treasury stock 2003/07 came within a a hairsbreadth of the important 11 per cent yield barrier, but last night it closed up ¼ at 105 ⅛, to yield 10.946 per cent.

■ FRENCH government bonds fell sharply, *following the* movement of West Germany, and the Matif March futures contract closed at 100.82, down 58 basis points. However, the market still outperformed Germany and the yield differential between the two narrowed from 187 basis points to 182.

Meanwhile, Société Générale said its issue of 4.5m French government bond (OAT) warrants has been 80 per cent placed after attracting strong interest from insurance companies and fund managers. It said these were the first warrants exercisable into French bonds.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	93-25	-07/32	12.40	12.18	11.42
		10.500	6/98	95-13	+09/32	11.30	11.18	10.61
		9.000	10/08	88-22	+05/32	10.38	10.26	9.78
US TREASURY *		7.875	11/99	95-12	-11/32	8.58	8.49	7.98
		8.125	8/19	95-00	-20/32	8.59	8.52	8.05
JAPAN	No 111	4.600	6/99	89.4216	+0.285	6.63	6.64	5.88
	No 2	5.700	3/07	95.1360	+0.313	6.29	6.41	5.79
GERMANY		7.125	12/99	94.7000	-0.930	7.92	7.67	7.50
FRANCE	BTAN	8.000	10/94	91.4110	-0.165	10.38	10.32	10.22
	OAT	8.125	5/99	89.9400	-0.530	9.81	9.63	9.58
CANADA *		9.250	12/99	94.7500	-0.300	10.10	10.02	9.71
NETHERLANDS		7.500	11/99	94.2100	+0.130	8.39	8.28	8.09
AUSTRALIA		12.000	7/99	95.9517	-0.263	12.74	12.71	12.98

London closing. *denotes New York closing
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

Innovative Ecu70m deal launched for Crédit Local de France

By Deborah Hargreaves and Stephen Fidler

BANKERS Trust underscored its reputation for financial engineering yesterday with the launch of an innovative new Ecu70m Eurobond issue for Crédit Local de France. The bonds which mature in March 1994 carry no coupon but redemption is linked to the performance of five European stock indices.

INTERNATIONAL BONDS

The redemption is linked to West Germany's FAZ stock index which carries a *40* per cent weighting in the formula along with stock indices in France, the Netherlands, Italy and Switzerland. Bankers Trust says the deal is appealing mainly to European institutional equity investors which *are bullish on the European* stock markets.

Although some market participants say the deal looks like an expensive call option, Bankers Trust has done a lot of preparatory work in the market and isolated some strong *demand for this kind of product.* It said it sold many similar deals last year by private placement.

In spite of Goldman Sachs' £100m issue for SE Banken coming straight after Monday's *Abbey National sterling deal,* the issue was selling well yesterday at less 1.80 on the back of demand for Abbey National. Goldman said it had sold more than half the deal itself.

According to sterling bond *traders, Goldman Sachs* appears to be the latest US house to identify some big ticket buyers among West German fund managers, which recent sterling bond buy-backs have helped to shake out of the woodwork. *Goldman was yes*terday said to have allocated £4m each to five lead managers, taking the rest of the issue itself.

They compared the absolute yield of 13.18 per cent on the S-E Banken issue unfavourably with existing five-year primary paper – Deutsche Bank's *recent five-year issue yielded* 13.08 per cent yesterday and British Gas 13.04 per cent – and particularly with yields on bank paper in the secondary market.

But they said the German investors were apparently prepared to *forego some yield* to be able to buy in size.

Amid such suggestions of *significant preplacement, syn*dicate discipline held well, and there were no signs of trading below the reoffer price. The proceeds of the deal were swapped into floating rate sterling in order to fund SE Banken's London operations.

The *Swiss market saw a* rush of new issues yesterday which depressed trading levels for some of the existing bond deals. Two issues for the EIB and Credit Foncier for SFr200m and SFr150m respectively were trading around the same level at less 2¼ in spite of the smaller deal's longer maturity.

A *SFr125m issue for IBM* International Finance received a predictably warm welcome from Swiss investors with perhaps a generous coupon of 7¼ per cent. It was placed well yesterday with a trading level of less 1½.

Another deal for the EIB in Spain carried the highest coupon *in the Matador market* since its inception in 1987. With a 13½ per cent coupon, the *Pta15bn* deal was offering a 40 basis point pick-up in yield on earlier issues.

Given the recent weakness in the Canadian dollar market, a C$100m deal yesterday for General Electric Credit got off to a difficult start.

The deal carried a 12 per cent coupon which should attract some retail interest in coming weeks but market players doubted that the full deal would be placed very quickly given the fragility of the market.

*Two legs of an unprece*dented three-currency bond issue in Scandinavia for SAS *Scandinavian Airlines,* were priced yesterday. The third, in Swedish krona, had to be postponed because of a bank strike. The Danish leg, a DKr500m, 10-year issue was oversubscribed, according to the lead manager, in spite of overall *market weakness.* The Norwegian portion, the first foreign deal since the market reopened, carried a 10¾ coupon over five years.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
CANADIAN DOLLARS						
General Electric Cr.Corp(b)◆	100	12	101.80	1992	1⅛/⅝	Hambros Bank
STERLING						
Skand.Enskilda Banken(b)◆	100	13⅛	101.70	1995	1⅞/1¼	Goldman Sachs
US DOLLARS						
Nagase & Co.♦	200	(2⅞)	100	1994	2¼/1½	Daiwa Europe
ECUs						
Credit Local de France(c)◆	70	Zero	100	1994	2/1¼	Bankers Trust Int.
D-MARKS						
Star Micronics Co.♦	100	(1⅝)	100	1994	2¼/1⅝	Deutsche Bank
U-Shin Ltd.♦	60	(1⅝)	100	1994	2¼/1⅝	Nomura Europe
PESETAS						
EIB(b)◆	15bn	13½	100	1995	1⅝/1	B.Bilbao Vizcaya/Banesto
SWISS FRANCS						
EIB(b)◆	200	7	101¼	2000	n/a	Credit Suisse
Hyogo Bank§★★(a)	200	¼	100	1994	1½	Swiss Volksbank
Credit Foncier de France(d)◆	150	7	101¼	2002	2½	Handelsbank NatWest
IBM International Fin.(b)★★◆	125	7¼	100⅞	1995	1⅜	J.P. Morgan Secs.
U-Shin Ltd.♦★★	40	1⅝	100	1994	1½	UBS
YEN						
Compagnie Bancaire(b)◆	12bn	7⅛	101.325	1993	1⅜/⅞	IBJ Int.
Swedish Export Credit(e)◆	2½bn	6½	95⅞	1993	1⅜/⅞	Daiwa Europe
Union Bk of Finland(f)◆	12bn	7.2	101⅜	1993	1⅜/⅞	Sumitomo Trust Int.
NORWEGIAN KRONER						
SAS(b)◆	500	10¾	99¾	1995	n/a	Bergen Bank
DANISH KRONER						
SAS(b)◆	500	9	87¾	2000	n/a	Privatbanken

★★Private placement. ♦With equity warrants. §Convertible. ◆Final terms. a) Yield to put 3.452%. b) Non-callable. c) Redemption linked to performance of five stock market indices between February 13 1990 and March 2 1994. d) Call from March 1999 at 101½ declining ½% p.a. e) Redemption linked to Nikkei stock index. g) Issue increased from Y7bn.

Bank issues stern warning against short-selling of gilts

By Simon Holberton, Economics Staff

THE BANK of England has warned gilt-edged market makers to stop assisting clients in selling UK government bonds short and thereby fostering an unofficial securities repurchase market.

The Bank has called in a number of market makers to reinforce its view that such a service to clients contravenes the spirit of the guidelines it *laid down for the operation of* the gilts market after Big Bang in October 1986.

Some market makers were assisting clients in maintaining a short, or bear, position in the physical gilts market. They were doing this, for example, by allowing a client on Day 1 to sell stock it did not own. On Day 2 the stock would be bought *and the same amount* resold shortly after. This would be repeated for as long as the *client desired.*

Such "roll-overs" as they are known in the market allowed clients to maintain a bear position for as long as they chose. It is believed that this activity was particularly strong in January. By doing this, some market makers were passing on to clients their "privileged" ability to short sell.

According to market makers, the practice is "not uncommon."

Some have complained to the Bank; others have agreed to do the business if it has not been primarily used for maintaining bear positions for extended periods of time.

In its published rules governing the operation of the gilt-edged market, issued in April 1985, the Bank said it was "*not prepared – essentially for prudential reasons* – to envisage the development of an unregulated market in repurchase agreements in government securities such as exists in the US."

The case in the mid-1980s of the US company Drysdale Securities, which got into trouble because of its repo business, is believed to be one of the reasons behind the Bank's reticence to allow a repo market in gilts.

It is also keen to protect the position of stock exchange money brokers which currently facilitate the borrowing and lending of gilt-edged stock.

But in spite of the Bank's attitude some traders believe that a repo business would aid the future development of the market by increasing its liquidity.

Property fears lead Moody's to downgrade Japanese banks

By Stephen Fidler, Euromarkets Correspondent

MOODY'S Investors Service, the New York-based ratings agency, yesterday downgraded the long-term debt ratings of three big Japanese trust banks, citing their exposure to Japan's property market.

Sumitomo Trust's long-term debt was downgraded from Aa1 to Aa2, affecting about $1bn in debt, *Mitsubishi* Trust's from Aa1 to Aa2, again affecting $1bn of debt, while that of Mitsui Trust was lowered from Aa2 to Aa3, affecting about $360m.

Moody's said its action in relation to all three banks was based on its "growing concern about the Japanese real-estate market" and the banks' "large exposure – both direct and indirect – to real estate."

It noted that while property prices had begun to grow faster, interest rates had also climbed rapidly, increasing the potential for strain on bank capital.

It acknowledged Sumitomo's strict credit controls but said its capital and earnings were vulnerable to a property downturn.

Mitsubishi had boosted its capital in recent years and had lower third world exposure than most of its peers but said its dependence on property-related loans had increased.

Mitsui had been one of the *most aggressive property* lenders, although overall asset quality was good and its capital ratio relatively high.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Feb 6 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Feb 5 Index No.	Fri Feb 2 Index No.	Thu Feb 1 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (202)	888.84	-0.8	12.79	4.88	9.53	1.34	895.87	894.38	893.97	916.21
2	Building Materials (27)	1088.30	-1.2	14.47	5.20	8.62	0.36	1101.79	1099.93	1100.94	1136.15
3	Contracting, Construction (36)	1510.45	-0.8	16.42	5.22	7.97	0.14	1522.89	1518.16	1514.88	1686.18
4	Electricals (10)	2562.46	-1.2	10.58	4.85	11.97	0.00	2593.65	2599.31	2591.03	2654.70
5	Electronics (30)	1918.20	-0.7	9.36	3.76	13.81	9.76	1932.40	1929.66	1929.35	2063.78
6	Engineering-Aerospace (8)	449.61	-0.7	13.45	4.91	9.13	0.04	452.96	451.50	456.44	0.00
7	Engineering-General (44)	475.04	-0.3	11.81	4.97	10.19	0.34	476.49	476.65	476.57	0.00
8	Metals and Metal Forming (6)	472.88	+0.1	24.94	6.36	4.52	0.00	472.46	469.43	466.71	521.39
9	Motors (16)	370.66	-1.2	14.31	5.69	8.20	0.00	375.29	378.31	381.64	312.62
10	Other Industrial Materials (25)	1611.20	-0.7	10.47	4.48	11.09	3.00	1622.69	1616.49	1606.70	1542.80
21	CONSUMER GROUP (177)	1264.56	-1.1	8.94	3.76	13.96	2.10	1278.87	1282.84	1280.86	1193.18
22	Brewers and Distillers (22)	1477.05	-1.4	9.49	3.56	13.01	6.54	1497.67	1506.23	[illegible]	[illegible]
25	Food Manufacturing (19)	1113.27	-1.5	9.63	3.97	12.92	1.70	1130.01	1134.69	[illegible]	[illegible]
26	Food Retailing (16)	2282.74	-1.3	8.89	3.32	14.60	3.63	2311.93	2320.69	[illegible]	[illegible]
27	Health and Household (13)	2465.06	-0.7	6.35	2.65	18.76	0.20	2482.27	2489.53	[illegible]	[illegible]
29	Leisure (33)	1601.87	-1.4	8.43	3.69	14.62	0.54	1625.36	1627.61	[illegible]	[illegible]
31	Packaging & Paper (13)	582.19	.....	12.08	5.32	10.46	0.90	582.27	581.36	[illegible]	[illegible]
32	Publishing & Printing (17)	3543.80	-0.9	9.13	4.99	13.97	20.50	3576.15	3602.40	[illegible]	[illegible]
34	Stores (31)	781.87	-1.0	11.15	4.81	11.67	0.25	789.83	788.97	[illegible]	[illegible]
35	Textiles (13)	511.20	-0.6	11.31	5.87	10.72	0.00	514.45	514.55	[illegible]	[illegible]
40	OTHER GROUPS (104)	1176.13	-1.0	10.87	4.74	11.03	0.30	1187.56	1188.06	[illegible]	[illegible]
41	Agencies (17)	1555.28	+0.5	6.74	2.15	18.26	0.85	1547.97	1545.81	[illegible]	[illegible]
42	Chemicals (22)	1199.71	-0.5	12.64	5.37	9.33	0.27	1205.74	1201.13	[illegible]	[illegible]
43	Conglomerates (13)	1628.08	-0.6	11.04	6.02	10.64	0.00	1637.74	1624.81	[illegible]	[illegible]
44	Transport (13)	2275.31	-1.2	10.64	4.22	11.98	2.80	2301.80	2317.02	[illegible]	[illegible]
46	Telephone Networks(2)	1236.31	-1.5	10.27	4.15	12.66	0.00	1255.53	1258.64	[illegible]	[illegible]
47	Water(10)	2010.88	-0.7	17.33	6.73	6.39	0.00	2025.30	2025.02	[illegible]	[illegible]
48	Miscellaneous (27)	1868.49	-1.5	9.50	4.39	11.87	0.91	1896.64	1908.88	[illegible]	[illegible]
49	INDUSTRIAL GROUP (483)	1157.57	-1.0	10.50	4.32	11.65	1.37	1169.12	1170.39	[illegible]	[illegible]
51	Oil & Gas (17)	2427.17	-0.7	8.87	4.70	14.89	6.21	2444.35	2457.33	[illegible]	[illegible]
59	500 SHARE INDEX (500)	1262.93	-0.9	10.26	4.38	12.03	1.75	1274.99	1277.16	[illegible]	[illegible]
61	FINANCIAL GROUP (114)	840.30	-1.4	–	5.06	–	0.35	852.65	856.71	[illegible]	[illegible]
62	Banks (9)	891.43	-2.0	19.22	5.63	6.84	0.00	909.49	918.30	[illegible]	[illegible]
65	Insurance (Life) (7)	1414.14	-1.1	–	4.70	–	0.00	1429.37	1434.85	[illegible]	[illegible]
66	Insurance (Composite) (7)	703.73	-1.6	–	5.37	–	0.00	714.95	717.89	[illegible]	[illegible]
67	Insurance (Brokers) (6)	1124.01	-0.6	6.57	5.61	20.25	0.00	1130.73	1136.53	[illegible]	[illegible]
68	Merchant Banks (8)	493.43	.....	–	3.60	–	0.00	493.25	484.70	[illegible]	[illegible]
69	Property (49)	1174.55	-1.3	7.76	3.69	16.30	0.94	1189.61	1191.49	[illegible]	[illegible]
70	Other Financial (28)	332.65	-0.4	12.66	6.33	10.35	1.44	334.12	334.70	[illegible]	[illegible]
71	Investment Trusts (68)	1229.89	-0.6	–	2.97	–	0.45	1237.19	1237.46	[illegible]	[illegible]
91	Overseas Traders (5)	1434.69	-1.3	10.61	6.37	11.09	30.79	1453.42	1437.99	[illegible]	[illegible]
99	ALL-SHARE INDEX (687)	1160.69	-1.0	–	4.45	–	1.55	1172.59	1174.99	[illegible]	[illegible]

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 5	Feb 2	Feb 1	Jan 31	Jan 30	Year ago
FT-SE 100 SHARE INDEX♦	2321.1	-27.3	2345.4	2320.0	2348.4	2355.1	2345.8	2337.3	2322.0	2072.8

FIXED INTEREST

	PRICE INDICES	Tue Feb 6	Day's change %	Mon Feb 5	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.27	+0.14	115.17	0.06	1.39
2	5-15 years	124.62	+0.29	124.33	0.08	1.38
3	Over 15 years	133.33	+0.44	132.75	–	0.33
4	Irredeemables	151.09	+0.42	150.45	–	0.00
5	All stocks	124.05	+0.25	123.80	0.06	1.28
	Index-Linked					
6	Up to 5 years	140.97	+0.06	140.89	–	0.00
7	Over 5 years	137.05	+0.11	136.90	–	0.47
8	All stocks	137.23	+0.10	137.09	–	0.44
9	Debentures & Loans	102.28	-0.09	102.37	–	0.35
10	Preference	82.01	-0.24	82.21	–	0.16

	AVERAGE GROSS REDEMPTION YIELDS		Tue Feb 6	Mon Feb 5	Year ago (approx.)
	British Government				
1	Low	5 years	10.74	10.75	8.97
2	Coupons	15 years	10.33	10.38	8.83
3		25 years	10.21	10.26	8.78
4	Medium	5 years	11.80	11.85	10.06
5	Coupons	15 years	10.72	10.77	9.28
6		25 years	10.33	10.38	8.94
7	High	5 years	11.93	11.98	10.22
8	Coupons	15 years	10.92	10.97	9.48
9		25 years	10.47	10.52	9.09
10	Irredeemables	†	10.23	10.27	8.78
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.23	4.24	3.56
12	Inflation rate 5%	Over 5 yrs.	3.82	3.83	3.57
13	Inflation rate 10%	Up to 5 yrs.	3.33	3.34	2.73
14	Inflation rate 10%	Over 5 yrs.	3.65	3.66	3.41
15	Debs &	5 years	13.35	13.35	11.60
16	Loans	15 years	12.74	12.72	11.20
17		25 years	12.73	12.72	10.81
18	Preference	†	11.31	11.29	10.09

♦Opening index 2345.4; 10 am 2336.2; 11 am 2336.5; Noon 2335 4; 1 pm 2335.2; 2 pm 2335.1; 3 pm 2333.0; 3.30 pm 2329.1; 4 pm 2329.0
(a) 9.00am (b) 4.36pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
NAME CHANGE: Britannia Arrow Holdings (70) has become INVESCO MIM.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	86	7	7
Corporations, Dominion and Foreign Bonds	8	1	28
Industrials	218	490	902
Financial and Properties	81	260	355
Oils	18	44	32
Plantations	1	3	6
Mines	49	31	81
Others	54	100	98
Totals	515	936	1,509

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
$100	F.P.	–	101	95	Abtrust New Thai Inv.	97	-2	–	–	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or -
280	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
216	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
670	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

- First Dealings Feb 5
- Last Dealings Feb 16
- Last Declarations May 10
- For settlement May 21

London Share Service Calls in Amstrad, ASDA, Babcock Intl., BBA, British Telecom, Hughes Food, Saatchi & Saatchi and Strong & Fisher. Put in South West Water.

For rate indications see end of

LONDON TRADED OPTIONS

DERIVATIVES trading was slightly busier yesterday as volume improved on the London cash markets, though dealers said business remained at a low level with investors reluctant to commit themselves until prices stabilised.

The lack of UK economic data to give the markets direction and uncertainty about the latest US Treasury bond auction kept dealers quiet and the decline on Wall Street appeared to confirm suspicions about a weak share market outlook. One analyst pointed out that uncertainty about the equity market's outlook should not be a reason for investors to shun the options market. None the less, the recent uneasy stability followed by yesterday's losses appeared to have deterred investors.

In contrast, dealings in FT-SE 100 index futures was brisk, though dealers said this was a reflection of the lower turnover in the equity market. "If you can't get a liquid market in stocks, FT-SE futures can be a decent alternative," one trader said.

Total options market turnover amounted to 25,179 contracts, compared with 18,524 on Monday. Yesterday's total was divided between 15,402 calls and 9,777 puts. In spite of the recent lower volumes, open interest continued to rise. At the close of business on Monday, the number of contracts outstanding stood at 784,064, compared with 777,103 on Friday.

The FT-SE 100 index option was the busiest contract trading 8,582 lots, of which 3,339 were calls and 5,243 puts. The February 2300 call series was the busiest, trading 1,764 contracts.

Open interest in FT-SE stood at 111,843 on Monday against 111,130 on Friday. Among stock options, Hanson was the most active. Dealers said it has become one of the most liquid stocks and like its cash equivalent will be actively traded without any significant share news.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*489)	400	52	59	76	8	17	20
	500	22	35	50	24	34	37
	550	7	16	29	64	65	67
ASDA (*109)	100	17	21	24	4	6	8
	110	10	16	19	7½	10	11
Brit. Airways (*197)	180	26	28	35	3	7	8
	200	12	16	24	11	16	17
	220	5	9	14½	25	29	30
Brit. Com	70	11	14	18	8	10	11
Ultramar (*376)	360	33	48	58	14	17	21
	390	16	30	42	28	32	35
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
Brit Aero (*549)	550	16	40	56	14	33	45
	600	3	20	36	55	68	75
BAA (*386)	360	32	48	56	3	9	12
	390	9	30	37	11	19	25
BAT Inds	800	26	57	85	15	32	38
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Abbey Nat. (*187)	180	13	19	24	6	8	10
	200	2	8	12	19	21	24
Amstrad (*52)	50	7	10½	13½	4	6½	8½
	60	2½	6	9½	10	12	14
Barclays (*575)	550	40	55	65	13	20	25
	600	10	25	40	40	43	50
Blue Circle (*229)	220	17	23	30	5	13	14
	240	–	13	21	–	23	24
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

UK COMPANY NEWS

Receivers at BIA making 420 staff redundant

By Paul Abrahams

THE RECEIVERS at British Island Airways, the charter holiday airline noted for its use by Mrs Margaret Thatcher, the British Prime Minister, during the last UK election, are to make 420 of the company's 500 staff redundant.

The move follows the decision by receivers to cease most of BIA's scheduled and chartered flight operations last Thursday after the airline collapsed with debts of £10m. A few aircraft and crew chartered to a French airline are still working.

Mr Christopher Morris and Mr Nigel Atkinson, partners at Touche Ross, the accountancy firm appointed as receivers, said last night that a sell off of the whole airline was a possibility and that all avenues were being explored.

BIA had been badly hit by a downturn in the UK holiday industry caused by a slowdown in the domestic economy. Trade estimates suggest that bookings this year for both winter and summer holidays are 25 per cent below last year's levels.

Some charter airlines, such as Britannia (part of Thomson Travel) and Air Europe (Intasun), have been able to absorb the downturn in traffic without having to trim assets.

However, BIA was in a more vulnerable position than these companies because it was not backed by a major tour operator which could fill its seats. It also had a poor reputation within the industry for the quality of its service.

BIA has ten aircraft, including BAe 1-11s and McDonnell Douglas MD-83s. All of them, however, are leased. The company's main assets are a considerable quantity of spares and similar equipment.

Those of the 3,000 passengers still booked on flights operated by BIA who were due to fly with Island Sun, the company's tour operating subsidiary, are liable to full refunds under a bonding scheme arranged by the Association of British Travel Agents. However, those on scheduled airlines have become creditors of the airline.

GrandMet selling surplus Wimpys to management

By Philip Rawstorne

GRAND Metropolitan is selling about 360 of the 530 Wimpy fast food restaurants in the UK and Europe which it acquired last year from United Biscuits

Agreement in principle has been reached for the sale of 216 outlets in the UK and another 140 in Europe to a management group headed by Mr Max Wolfenden, Wimpy's former managing director. The deal is likely to be worth some £20m.

Mr Allen Sheppard, GrandMet's chairman, said that the outlets being sold were those considered unsuitable for transfer into the group's Burger King operation.

One of the main reasons for GrandMet's £180m purchase of UB's restaurants was the need to acquire high street outlets in the UK that would enable its Burger King chain, acquired in the Pillsbury takeover in 1988, to compete with McDonald's for domination of the burger market.

Though a sizeable competitor in the US, Burger King had only some 30 outlets in the UK.

Mr Sheppard said that agreement had been reached with the franchisees of 143 Wimpy "counter-service" restaurants on transfer into Burger King. Another 22 were expected to follow, making a chain of 195 by the end of the year.

Those restaurants which had already transferred had registered an average increase in sales of 15 per cent, Mr Shepherd said.

With the sale of the rump of the Wimpy business, GrandMet will complete the integration of the former UB operations into the group. Three Wimpy burger and bun manufacturing plants have been put into the Pillsbury Europe food processing business and the Perfect Pizza and Pizzaland outlets have been taken into GrandMet Retailing, which includes chains such as Berni Inns and Pastaficio.

With no bricks and mortar included in the Wimpy sale, the assets involved are less than £1m. The management group, which will acquire the Wimpy brand name on completion, said yesterday that it was delighted by the agreement.

It declined to make further comment until its plans for the future of the restaurants had been discussed with franchisees.

Allen Sheppard: preparing to compete with McDonald's

Sandell slumps to £76,000

By Nikki Tait

JUST ONE YEAR after it came to the Unlisted Securities Market, Sandell Group, the manufacturer and installer of office partioning and suspended ceilings, has been obliged to dip into reserves to pay a promised final dividend of 2.7p per share,to make a total of 4.4p.

Sandell announced yesterday that pre-tax profits in the year to end-September slumped from £306,000 to £76,000.

Sales were £3.81m (£2.45m), and the loss per share was 0.1p, against earnings of 10.1p last time.

However, the company added that first quarter results for the current year showed "a considerable improvement" with profitability running ahead of that seen in the similar period of 1988-89.

Operating profits were virtually unchanged at £321,000. The damage to the results was principally inflicted by a £270,000 exceptional item.

Sandell explained this reflected some mixed underlying trading fortunes. Its traditional business, RB Sandell & Co, had a very good year and contributed £425,000 to pre-tax profits.

By contrast, the Interlock business, which was acquired during the 12-month period, made a loss of £350,000.

This was partly due to start-up costs but principally explained by a bad contract taken on by previous management. This was reflected in the exceptional deficit, said Sandell.

After tax, the company showed a net deficit of £4,000; after funding the dividend payment, the retained loss was £114,000.

Baltica in talks over Hambros' future

By David Barchard

BALTICA, the Danish banking and insurance group, which this week raised its stake in Hambros, the City Merchant bank, to 14.03 per cent, said yesterday that it had held exploratory talks with other Hambros shareholders about the future of the bank.

However Mr Hans-Christian Hansen, general manager of Baltica, said that the Danish group had not approached the Bank of England about the possibility of raising further its stake in Hambros. Under Bank of England rules, a foreign institution must be given the green light before it takes a stake of more than 15 per cent in a UK bank.

He declined to comment on whether Baltica was considering raising its stake. However, Baltica already holds around 11 per cent of Hambros' preference shares which it acquired as one of the underwriters when Hambros bought out its subsidiary, Hambros Investment Trust, last year.

"But if the other holders of preference shares converted them into into share capital, then our holding would be diluted," Mr Hansen said.

Baltica has had talks with Hambros about possible areas of co-operation, and introduced itself last summer to members of the Hambros' "shareholders club" in Europe including Banco Bilbao Vizcaya in Spain, Instituto Bancario San Paolo di Torino in Italy, and Guardian Royal Exchange in the UK.

However, though Baltica believes that as a group it is very similar to Hambros, with its own merchant banking, insurance, and estate agency operations, the two sides have not been able to identify areas for long-term co-operation.

"Our door remains open for further talks but no significant project has come out of them so far." Sir Adam Ridley, executive director and bank spokesman for Hambros, said yesterday.

Apart from the Hambros Investment Trust buy-out, co-operation between Hambro and Baltica has been confined to the setting up of investments through Hambros Venture Partnership.

Mr Hansen said the latest increase in Baltica's stake had been possible because a group of shares came up at a time when the pricing of Hambros shares was reasonable and sterling was at a very low level. "We are patient people." he said.

He dismissed speculation that the Banque Indosuez, the French bank, which last October made an unsuccessful bid for Morgan Grenfell and whose parent holding company Financiere Suez, owns a 23 per cent stake in Baltica, was involved in Baltica's moves over Hambro. "We have not discussed a single word with them about this." Mr Hansen said.

Aaronson lower as consumer spending drops

By John Thornhill

Aaronson Brothers, the manufacturer of chipboard products such as Contiboard and plastic bathroom and garden accessories, reported poor trading conditions for the year to September 1989 but said yesterday that it thought the worst was now over.

The weak consumer retail market largely accounted for the severe drop from £5.82m to £2.12m, in pre-tax profits, although the outcome was also affected by the costs of a rationalisation programme. Sales were down at £84.07m (£100.91m) partly due to the exclusion of discontinued operations.

Mr Ronald Aaronson, joint chairman, said the company's rationalisation programme had resulted in the closure of some operations, which together with write-off of associated Advance Corporation Tax, had led to an extraordinary £2.25m charge. The group operates from nine locations, seven less than two years ago.

At the year end, the group's properties were revalued revealing a surplus over book value of £6.45m which has been included in the accounts. Following the revaluation, shareholders funds were £28.7m, equivalent to 78p per share, and gearing 62 per cent.

Mr Aaronson said the UK home improvement market continued to be weak and that sales in the first quarter were lower than the previous year, although they were improving. The company planned to shift its emphasis further towards making high added value products and increasing its business overseas.

Earnings per share fell to 4.35p (12.17p). The final recommended dividend of 1.7p makes a total of 3.5p (5.75p).

Aaronson's shares shed 3p to close at 70p.

Regenerating the cell to encourage fresh subscribers

Hugo Dixon on Cellnet's strategy for recovery

CELLNET may be providing an increasing proportion of the Securicor Group's profits. However, the cellular telephone operator, which is 40 per cent-owned by Securicor and 60 per cent-owned by British Telecom, is still a long way behind its only rival, Racal-Vodafone.

Both BT and Securicor have sought to hide Cellnet's results. But it is possible to piece them together from Securicor's results and reports lodged at Companies House.

In the six months to the end of September 1989 Cellnet made pre-tax profits of £28.8m, compared with £75m earned by Racal Telecom in the same period.

A more relevant comparison would be between the two companies' operating profits, since Cellnet is carrying a higher level of debt than Racal Telecom. Mr Rob Collins, an analyst at Kleinwort Benson Securities, estimates that Cellnet's operating profits for the half-year were £39m, barely half Racal Telecom's £78m.

Cellnet's figures for the year to the end of March 1989, which were recently filed at Companies House, are equally poor by comparison with Racal's. Cellnet made operating profits of £42.5m on turnover of £142.8m. Racal Vodafone, by contrast, made operating profits of £90m on turnover of £193m.

"Cellnet is a year behind Vodafone in terms of profits and three months behind in terms of subscribers," Mr Collins said.

Cellnet's poor relative performance led BT to purge the company's top management last year. Mr Stafford Taylor was brought in to replace Mr Colin Davis. Other new executives were also installed.

After six months of ground work, Cellnet's new management is due to re-launch the company next month, BT said yesterday.

"The problem is we are behind Racal and have to catch up. In the old regime, the emphasis was on the technical side. The emphasis is now turning more to sharpening-up the marketing," BT said.

Cellnet was out-manoeuvred by a faster-moving Vodafone. Although the two companies started off at the same time and for several years split the market 50-50. About three years ago Cellnet's quality of service started to deteriorate.

This meant it had difficulty in attracting customers at a time when the whole market was entering its big growth stage. Although Cellnet has expanded fairly rapidly since then, the lost customers were critical in the sense that they used their mobile phones more often.

This would seem to be one explanation for Cellnet's lower turnover figures. Another is that Vodafone has been more entrepreneurial in devising value-added services such as messaging facilities, which encourage subscribers to spend more time on the phone.

A further explanation for Cellnet's performance could be that it has failed to manage the technical side of its operations effectively, says Mr Piers Whitehouse, an analyst at Robert Fleming Securities. He says Cellnet may have had to invest more money in new equipment recently because it under-invested in the early days of the cellular market.

Cellnet's new management has perhaps three years to regenerate the organisation and catch up with Racal. After that it will be facing competition not only from Vodafone but also from three new personal communications networks licensed by the Government last year.

Peter Smith, chairman of Securicor

Casket buys Coventry Eagle brand name

By David Owen

THE VENERABLE Coventry Eagle bicycle brand-name will be around to celebrate its centenary following the purchase from the Receiver of British Eagle Cycles by Casket, the Manchester-based textiles-to-furnishings group.

The £182,500 acquisition was made through Townsend Cycles, the group's cycle manufacturing and importing subsidiary.

It is the first by Casket's new management team. Last month, Mr Nicky Branch, chairman and chief executive of Renaissance Holdings, was appointed non-executive chairman replacing Lord Barnett, the former Labour minister.

The deal will provide Townsend, which like many other bicycle-makers has been pedalling furiously to keep up with demand, with some much-needed new capacity.

"We have been quoting 10-20 week lead-times", said Mr Steven Walsh, managing director. "We were looking for an opportunity to acquire an upmarket manufacturer at the right kind of price."

At least 2.5m bicycles are estimated to have been sold in Britain in 1989, against little more than 1.5m four years earlier. Sales have been buoyed both by the fitness boom and rising environmental concerns.

Townsend's sales last year totalled 205,000 units, a figure which leaves it vying for second place among British bicycle manufacturers.

The company – which intends to reintroduce the Coventry Eagle name on a range of touring, triathlon and mountain bicycles with immediate effect – expects to start production of some of its own lines at British Eagle's Newtown Powys facility by the end of this month. It projects that employment will expand to 60-65 by July, against 40 prior to the acquisition.

British Eagle, whose history goes back to the formation in 1890 of the Coventry Eagle Cycle & Motor Company, was forced into receivership by cash flow difficulties just before Christmas. It moved to its purpose-built Welsh base in the early 1980s.

Approval sought for Berwin sale

By Clay Harris

The administrators of Dominion International Group will seek court approval today for the sale of Berwin LaRoche, one of the company's UK financial services subsidiaries.

If the court accepts the administrators' arguments of the need for an early disposal, Berwin LaRoche will be sold to its management for between £100,000 and £200,000.

Dominion bought the personal financial planning specialist in 1988. Among the vendors was Mr Max Lewinsohn, Dominion's chairman at the time. He resigned from Dominion's board in August last year.

Dominion was placed in administration on January 22 with debts exceeding £100m.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aaronson Bros	fin	1.7	Apr 9	3.95	3.5	5.75
Eng Caled Inv	int	1	-	-	-	1.5
Fleming Claver	fin	6	Mar 27	5.55	8.5	7.25
Helton	int	0.85†♣	Apr 6	0.5	-	1.6
Sandell §	fin	2.7	-	-	4.4	-
Securicor	fin	1.078	-	0.896	1.516†	1.296
Securiguard	fin	5.2	Apr 6	4.3	8	6.5
Security Servs	fin	1.992	-	1.66	2.914†	2.498
Unitech	int	4.2	Apr 2	3.675	-	10.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ♣Irish currency.

UK COMPANY NEWS

Power supplies and connectors divisions exceed budgets

Reorganised Unitech makes £12m

By Vanessa Houlder

UNITECH, the UK-based electronic components manufacturer, yesterday announced a 57 per cent increase, from £7.84m to £12.29m, in interim pre-tax profits.

Turnover for the six months to November 30 increased by 33 per cent from £114.98m to £152.83m.

However, comparisons with last year's figures are complicated by the £185m acquisition of Veeco Instruments, a US power supply manufacturer, in November 1988 and the sale of its distribution businesses.

There was strong demand in France, West Germany and Japan, which helped the power supplies and connectors divisions to exceed their budget.

Economic weakness and the depressed state of the defence industry affected the results of Control Products in the UK.

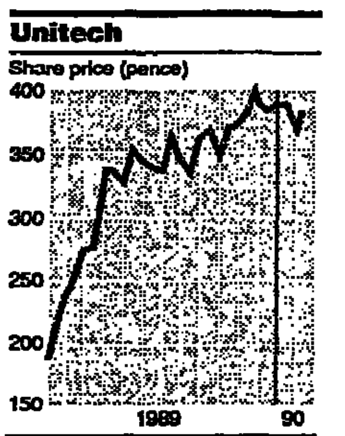
The Instruments division, which was sold last month, was affected by difficult trading conditions and produced a small loss.

An extraordinary credit of £1.91m resulted from the sale of the group's 22 per cent shareholding in Holmberg Electronics Corporation.

Gearing of 120 per cent is expected to be further reduced by rationalisation in the US and the flotation of Nemic-Lambda in Japan in 1991. Unitech, which now owns 64 per cent of the company, will retain a controlling stake.

Earnings per share declined by 4 per cent to 8.7p (9.1p), following a tax charge increased from 36 per cent to 42 per cent. An interim dividend of 4.2p (3.675p) is declared.

● COMMENT



Unitech's shares lept in value when bid speculation broke out early last year and they have continued to soar far above the level dictated by fundamentals ever since. The investor has one eye firmly fixed on the intentions of Mr Tito Tettamanti, the Swiss financier with a 17 per cent stake, while the other is directed at Elektrowatt, the Swiss electrical power and industrial group, which holds 29.9 per cent. Its agreement not to make a bid or sell its shares comes to an end in August which some observers think may inspire Mr Tettamanti to make a bid. On trading grounds alone, however, the shares are substantially overvalued. While there should be further benefits from integration and rationalisation of the Veeco businesses and the company's broad geographical spread, it faces some sluggish markets in the UK and the US. Analysts expect profits approaching £30m for the full year, which puts the shares, up 11p to 382p yesterday, on a p/e of 15.5.

Acquisitions help Securiguard profits double to £6.2m

By Andrew Hill

SEVEN ACQUISITIONS during the year helped Securiguard Group, the security systems, building maintenance and parcel delivery company, nearly double profits to £6.22m in the year to October 31.

Mr Alan Baldwin, chairman, yesterday said that he thought the group would be almost unaffected by the current economic uncertainty: "What we have is a cast-iron business: I wouldn't say we were bomb-proof but we're damn near it."

Earnings rose 23 per cent to 24.6p (20p) per share, and Mr Baldwin said existing businesses had grown by between 25 per cent and 30 per cent.

Mr Baldwin said he wanted to reassure the City that Securiguard was not planning a rights issue to bring down borrowings, which stand at nearly twice shareholders' funds.

He added that the group was comfortable with that level of gearing because interest charges – £359,000 against a gain of £123,000 last time – were well-covered by profits.

Turnover more than doubled to £104.14m (£51.1m). Security contributed nearly half the sales figure, personnel agencies 22 per cent and cleaning and maintenance 21 per cent.

The balance of 11 per cent came from the communications division, including a five-month contribution from City Link Transport Holdings, the express courier service which Securiguard bought for an initial £6.05m last May.

The cleaning and maintenance division, which pushed up profits by 89 per cent in 1988-89, is likely to increase its share of turnover still further in the current year following last month's $16.9m acquisition of Madison Building Services Group of New York.

Mr Baldwin said he hoped the four divisions would eventually contribute roughly equal amounts to sales and profits.

The recommended final dividend of 5.2p makes 8p (6.5p) for the year.

Heiton ahead sharply to I£943,000

Near doubled halftime profits were reported by Heiton Holdings, the Dublin-based steel stockholder, builders', timber and coal merchant.

Pre-tax profits for the period ended October 31 rose from I£494,000 to I£943,000 (£884,000) on turnover ahead I£6.32m to I£28.47m. With earnings at 3.64p (2.85p) the interim dividend is raised to 0.65p (0.5p).

There was an increased loss of I£428,000 (I£223,000) in the related company, Coal Distributors, the principal company, was facing an uncertain period as a result of government ban on bituminous coal in the Dublin market which will take effect next October.

The core business continued to benefit from the growth in the Irish construction sector and from the increased investment in the country. Robert McCowen and Sons and Hollington Company have been acquired.

Tyndall to launch Korean fund

Tyndall, the fund management group, yesterday announced that it was launching a "Korea Liberalisation Fund". This takes the form of a closed-end, Caymen Islands-based fund which will specialise in direct investment in Korean companies, as well as equity-related issues and "Approved funds".

The plan is to raise up to $60m, via the placing of 6m shares at $10.50 apiece. Attached to the shares will be "free" warrants, on the normal basis of one warrant for every five shares. Dealings in both shares and warrants are due to start on March 15.

Samuelson injunctions lifted

By John Thornhill

A HIGH Court judge has lifted two injunctions preventing the sale of a block of 10.5 per cent of the shares of Cowan de Groot owned by the family trust of Mr Jonathan Samuelson, the industrial holding company's chairman.

The trust is now free to dispose of the shares as it wishes and, according to a close source, it is probable that they will be sold in the very near future.

But Mr Justice Scott severely criticised Mr Samuelson's previous handling of the possible sale of the shares saying that his responsibilities as chairman of the company had conflicted with his financial interest in his family settlement.

The injunctions had been granted on ex parte applications by Mr Daniel Abrams's company Feldspar and Wilton Group, the Third Market property company, which both claimed to have agreed to buy the stake from Mr Samuelson.

Mr Justice Scott said that Mr Daniel Abrams claimed that on January 7 Mr Samuelson had agreed to sell him the stake and to retire from the chairmanship in Mr Abrams' favour. Mr Samuelson denied this version of events.

Mr Samuelson also denied a claim by Mr Michael Buckley, Wilton's chairman, that two days earlier he had met Mr Samuelson for lunch in the Savoy Grill and had agreed to buy the shareholding.

Mr Buckley also said that he had agreed the terms of a service contract with Mr Samuelson.

Mr Justice Scott said by arguing for a service contract with the company Mr Samuelson "was placing himself in a position in which his duty (as chairman of Cowan de Groot) and his interest (in the settlement) were in clear conflict."

Since the court hearings, Mr Samuelson's supporters claim that a service contract had already been agreed in principle six months ago by Cowan de Groot's board, although this was not made clear during the recent court hearing. This, they claim, defuses the judge's criticisms.

The court was told that after buying most of the shares in December 1988, Mr Samuelson had put the shares into a settlement run by three trustees – himself, Mr John Needleman, and Mr John Ferriday, the former chairman of Eagle Trust, described by Mr Justice Scott as a fugitive from justice (an arrest warrant was recently issued in connection with the theft of £13.8m from the company).

In his judgement, Mr Justice Scott referred to an attempt last March to export the settlement to Jersey. The three original trustees retired and were replaced by Mr Rodger Young, Mr Michael Sampson and a Jersey trust company called Ryco. However the judge said Cowan de Groot was not notified of this change and the original trustees remained as the owners of the shares according to the company's books.

Mr Justice Scott also referred to claims that a further part of the settlement's stake might have been acquired with funds missing from Eagle Trust, the mini-conglomerate currently being investigated by the Serious Fraud Office.

Last November Eagle Trust was granted an injunction freezing 4.5 per cent of Cowan de Groot's shares.

Brompton plans £9m buy-outs

By David Owen

BROMPTON HOLDINGS, the USM-quoted inspection and safety specialist formerly known as OIS Group, is poised to sell its various non-core activities to their existing managements for over £9m.

In all, four management buy-outs are envisaged, with negotiations at an advanced stage in each case.

The businesses concerned operate in the fields of satellite and radio telecommunications, electrical equipment, specialist staffing services and marine rentals.

In essence, Brompton is clearing the decks to help develop its mainstream businesses of safety inspection and the testing of equipment and installations for the oil, nuclear and other industries.

"I have decided we should concentrate on the core business because I reckon the potential for expansion is enormous", said Mr Paul Bristol, deputy chairman.

In the six months to June 30, the group reported pre-tax profits of £606,000 on turnover of £18.66m. This compared with a £297,000 loss in the previous year on turnover of £5.67m.

According to Mr Bristol, the retained businesses should account for about £37m of sales in the year ahead, against an aggregate £30m for the units which are to be disposed of.

Equity & Law personal pensions boost

By Eric Short

Personal pensions figured prominently in the record new business figures recorded last year by Equity & Law, part of the French AXA-Midi Assurances.

New annual premiums in the UK rose by 6 per cent from £43.2m to £45.8m, the increase coming from three main areas.

Firstly, personal pensions advanced nearly 40 per cent to £11m, though executive pensions were unchanged and group pensions dropped by a fifth to £8.1m.

Secondly, in contrast to the general market trend, the group's mortgage-related business rose by a fifth to £11.3m.

Finally, its protection business was buoyant last year with premiums up by a third to £6.1m; sales of the flexible whole plan and the critical illness plan were buoyant.

Single premium personal pension business quadrupled to £27.4m, with a further £26.6m being received for rebate-only personal pensions which contract-out of the State Earnings-Related Pension Scheme.

Personal investment single premium business grew nearly 80 per cent to £47.6m, so that overall single premiums in the UK more than doubled from £59.8m to £130.2m.

Overseas, new annual premiums rose by over a third to £18.2m and single premiums by more than half to £82.5m.

Wiltshire Brewery for USM

By Clare Pearson

Wiltshire Brewery Company, bought out of receivership five years ago, is coming to the USM at an initial market value of £3.96m. There is to be a placing of 53 per cent of the enlarged capital at 70p per share.

The historic p/e at the placing price is 14.4. In the year to end-September 1989, the company made pre-tax profits of £134,000 on sales of £747,000. Pro forma net tangible assets following the placing will be 66.2p per share.

Net of expenses, the 3m shares being placed raise £1.91m for the company. That will be used initially to complete a £1.25m acquisition of seven pubs from Whitbread, then Wiltshire plans to use its USM quotation to finance a substantial expansion programme.

Dealings in the shares are expected to commence on Monday. That day also sees the inauguration of the new Unlisted Securities Market which replaces the USM and the Third Market, the two junior markets under the old regime.

TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 13 February 1990

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 900 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 13 February 1990. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England.

2. The ECU 900 million of Bills to be issued by tender will be dated 15 February 1990 and will be in the following maturities:

ECU 300 million for maturity on 15 March 1990
ECU 300 million for maturity on 10 May 1990
ECU 300 million for maturity on 16 August 1990

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 13 February 1990. Payment for Bills allotted will be due on Thursday, 15 February 1990.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 15 February 1990 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

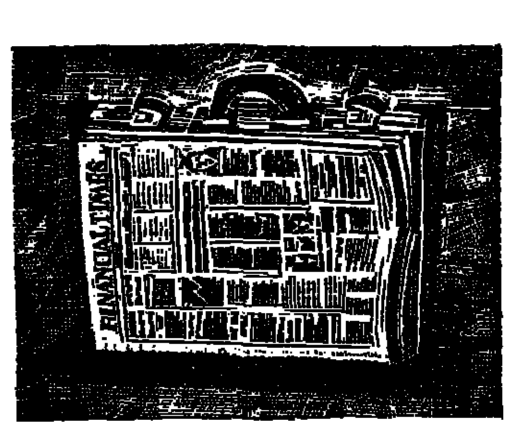
7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill Programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 16 August 1990. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
6 February 1990



UK COMPANY NEWS

Seeking justification for suspended animation

Vanessa Houlder reports on the quest for information from BOM shareholders regarding their stakes

THE RELENTLESS decline of BOM Holdings, the luckless oil services company turned retailer, has been one of the stock market's longest-running farces.

However, in recent weeks the story has taken an uglier turn. Dissident shareholders have become convinced that their main asset was sold behind their backs for a fraction of its value. The Stock Exchange has come under fire for not protecting their interests. And in a parliamentary answer last week it emerged that the DTI is urgently considering whether action is appropriate.

At the heart of the issue is 400 acres surrounding a disused oil refinery on the Medway in Kent, most of which may be ripe for redevelopment.

This land caught the attention of Mr Michael Lucas, a 42-year-old property tycoon, who in 1988 took over as chairman.

A year ago, when he attempted to launch a rights issue, Mr Lucas claimed that the land was worth, with planning permission, between £75m and £100m.

But at the end of last year Mr Lucas told shareholders that he had sold the land, without planning permission, for a mere £12m plus a 20 per cent stake in Surelaunch, the company that bought it.

Mr Lucas has since said that Surelaunch is 60 per cent owned by Mr John Morris, chairman of Therm-A-Stor, a private double-glazing company.

In addition to the 20 per cent owned by BOM Holdings, BOM shareholders will be invited to subscribe for a further 20 per cent.

The news of the sale infuriated shareholders. One, John Welland, was so incensed that he founded a shareholders' action committee together with a couple of friends from his local pub.

The nub of their complaint, which has been echoed in a flood of phone calls from fellow investors, is that the land was sold for far less than it was worth.

One member of the committee, Mr David Frost, who is himself chairman of an Essex planning authority committee, says he is convinced that the Rochester upon Medway city council – which is due to consider the planning application on February 13 – is disposed to grant planning permission for the land. If so, he believes it is worth at least £75m. "We have a cast-iron case for questioning the sale", he says.

Mr Lucas, though, says his hand was forced. The company was critically short of working capital and certain banks demanded repayment of their loans.

He denies that the land was given away cheaply. Three valuations carried out in 1989 valued it, without planning permission; at between £9m and £13m.

"As a forced sale, anything better than £9m would be a very good deal," he said. Furthermore, more than 20 potential buyers of the site declined to make an offer last year, he said.

All this – and Mr Lucas's emphatic assertion that he has nothing whatsoever to do with Surelaunch – has done little to assuage the suspicions of shareholders. They are now lining up an alternative chairman and collecting the votes necessary to force an extraordinary general meeting.

At the same time, they hope to pressure Mr Lucas and Mr Morris into abandoning the deal. Meanwhile, scores of disgruntled shareholders have written to the DTI pressing for an inquiry.

John Morris, Therm-A-Stor's chairman (left), and Michael Lucas, chairman of BOM

In all this, shareholders might wonder if the Stock Exchange could have done more to prevent their plight. On the face of it they have been abandoned by the Exchange ever since it unilaterally suspended the shares on the morning of December 23 1988.

The Exchange took this highly unusual action just as Mr Lucas was about to address an extraordinary general meeting held to seek approval for a £16.4m rights issue. The apparent reason for its intervention was that it was concerned about the lack of information given in the documents concerning an elaborate scheme to re-organise its oil assets.

Time and time time again last year, shareholders were promised news by Mr Lucas but it never came. The reason, according to Mr Lucas was that in spite of five meetings with the Exchange, they never gave a clear reason for the shares' suspension.

"All they said was that it was not acceptable. It is beyond my imagination what we could have offered them."

Another scheme was dreamed up last summer involving a rights issue and the hand-over of the company to Mr Morris, a businessman who Mr Lucas says has significant experience in the retailing sector and property. Again, the Stock Exchange turned it down.

As a result of the Stock Exchange's intransigence, Mr Lucas had little choice but to sell the land, he says.

Why has the Stock Exchange taken this view? A vague reference to a "lack of information" was its usual answer. Although more recently it has cited BOM's failure to file its accounts as required by August 31 1989 and its failure to file an annual return on November 1.

Mr Lucas, however, suggests that the Exchange's action casts aspersions on the integrity of himself and Mr Morris – (whose management record includes a receivership in the early 1970s). "The Stock Exchange is a law unto itself. It cannot dump 20,000 shareholders and it cannot by implication vilify either me or John Morris," he says.

The matter has focused attention on the Stock Exchange's policy concerning share suspensions. An unconscionable number of companies remain suspended for years, during which time shareholders are left without any information or ability to trade their shares.

The Exchange argues strongly against lifting a suspension without its requirements being met. The suspension prevents well-informed people from picking up shares on the cheap and protects new shareholders from being sucked in.

The problem is that, during the period of a suspension, the Exchange has little sanction over the company's actions, save the threat of removing its listing altogether.

Although the company is still governed by the Exchange's rules, the only consequence of flouting these rules is to make the lifting of the suspension even more unlikely.

This clearly is small comfort for shareholders. A more satisfactory alternative, some observers think, would be to institute a compulsory extraordinary general meeting, a few months after the suspension, at which directors would have to justify their stewardship.

As things stand however, BOM shareholders have limited options. The Shareholders Action Committee has mulled over the possibilities of trying to obtain an injunction or call an extraordinary general meeting but it is deterred by the likely cost of these actions.

In the meantime they feel their best course is to put pressure on the DTI, hoping that the prospect of an inquiry will prompt Mr Morris and Mr Lucas to unravel the deal.

It is a dispiriting task but Mr Welland is undaunted. "Right is right. If you battle hard enough, you should win."

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Dunton, Fleming American Investment Trust, YRM.

Finals- Hunterprint, St Modwen Properties, Union Discount.

FUTURE DATES

Interims-

Bailey (CH)	Apr. 10
Howard Holdings	Feb. 12
Independent Inv Trust	Feb. 8
Photo-Me Intl	Feb. 15
Throgmorton Dual Trust	Feb. 19

Finals-

Alexandra Workwear	Apr. 10
Coats Viyella	Mar. 8
Crest Nicholson	Feb. 15
Dowflex	Mar. 13
Fairway (London)	Feb. 12
Green Property	Feb. 15
Independent Newspapers	Feb. 14
Inv Trust of Guernsey	Feb. 9
MB	Apr. 11
Philips Lamps	Mar. 1
Suter	Mar. 12
United Biscuits	Mar. 15
Wyevale Garden Centres	Mar. 6

COMPANY NOTICES

Continental (Bermuda) Limited US$ 250,000,000

Floating Rate Notes due 2006

Guaranteed by Hungarian Foreign Trade Bank Ltd

Notice is hereby given that as at the valuation date 5th February, 1990, the value of the zero-coupon obligations (or certificates representing interests in obligations) of the United States of America was US$84,167,800.00 and the value of the Company's reserve fund was US$40,543,558.57. The aggregate value of the Noteholders security was thus 45.48 per cent of the principal amount of the Notes outstanding at the valuation date.

The determination and publication of these figures is solely for the convenience and information of the Noteholders and shall not be binding for any purpose on the Trustee or the Reserve Fund Manager or the Reserve Fund Reporting Agent nor shall it be *taken as a recommendation on the part* of the Company, the Valuation Agent, the Guarantor, the Trustee, the Reserve Fund Manager or the Reserve Fund Reporting Agent to buy, sell or hold investments similar to the zero-coupon obligations of the United States of America or the Reserve Fund investments.

Valuation Agent
Girozentrale und Bank
der Osterreichischen
Sparkassen Aktiengesellschaft

CYDSA S.A.
Floating Rate Notes due 1988-1991

NOTICE IS HEREBY GIVEN that for the Interest Period commencing on 7th February, 1990, the Notes will bear interest at the rate of 10¼% per annum. The interest payable on 8th May, 1990 against Coupon No. 22 will be U.S. $110.74 per U.S. $4,375 Nominal.

Agent Bank
ROYAL BANK OF CANADA EUROPE LIMITED

LEGAL NOTICES

R R M ELECTRONIC SERVICES LIMITED

Registered number: 1381697
Nature of business: Dealers in and Packagers of Electronic Components
Trade classification: 07
Date of appointment of joint administrative receivers: 18 January 1990
Name of person appointing the joing administrative receivers: Barclays Bank plc
NICHOLAS ROGER BROOMFIELD GODDEN and MARKOS PALIOS
Joint Administrative Receivers
(Office holder nos 109 and) of Cork Gully
Oriel House
55 Sheep Street
NORTHAMPTON NN1 2NF

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION
***Re: CREDIT SUISSE FIRST* BOSTON UK (HOLDINGS) LIMITED**
-and-
Re: THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 13th November 1989 confirming the reduction of the capital and the cancellation of the Share Premium Account of the above-name Company and the Minute approved by the Court showing with respect to the capital as altered the several Particulars required by the above-mentioned Act were registered *by the Registrar of Companies on the 2nd* January 1990.

DATED 1st February 1990

LINKLATERS & PAINES
Solicitors to the Company

***IN THE HIGH COURT OF JUSTICE* CHANCERY DIVISION**
Re: CSFB INVESTMENT MANAGEMENT LIMITED
-and-
Re: THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 13th November 1989 confirming the reduction of the capital and the cancellation of the Share Premium Account of the above-named Company and the Minute approved by the Court showing with respect to the capital *as altered the several Particulars* required by the above-mentioned Act were registered of Companies on the 19th January 1990.

DATED 1st February 1990

LINKLATERS & PAINES
Solicitors to the Company

EDUCATIONAL

PERSONAL

COMPANY NEWS IN BRIEF

BOUSTEAD has sold Metal Supplies to a UK subsidiary of Trelleborg of Sweden for £2.9m cash. Boustead will be retained as management adviser for three years and will receive fees of a possible maximum of £3.27m.

BRADSTOCK GROUP has acquired the outstanding 49 per cent of its reinsurance broking subsidiary, Bradstock Byrne and Partners. The consideration is to be satisfied by a cash payment of £461,247 plus the allotment of 632,493 ordinary shares.

BRITISH VITA group is buying the business and fixed assets of Denbilaminates from Bodycote International for about £1.3m.

BTP has bought the hot melt adhesives business of Stadex Industries for £1.28m.

DIXONS GROUP, headed by Mr Stanley Kalms, has sold Mastercare, its computer installation and maintenance business, to National Technical Services, a subsidiary of Bricom, for some £460,000.

DOWDING & MILLS has acquired Calibration Systems from Simon Engineering for £1.3m cash comprising of an immediate payment of £706,000 and a further payment of £562,000 in September 1990. An additional payment will be made depending on profits for the year to December 31 1990.

ENGLISH & CALEDONIAN Investment trust is paying a maiden interim dividend of 1p. For half year ended December 31 1989 net taxed revenue was £58,090 (loss £19,727) for earnings of 1.3p (loss 0.44p). Net asset value 283.4p (291p at June 30).

FLEMING CLAVERHOUSE Investment Trust had a net asset value of348.3p (280.5p) at December 31. Net revenue for the year was £1.78m (£1.63m) for earnings per share of 8.89p (8.17p). A recommended final dividend of 6p makes a total of 8.5p (7.25p).

GLOBAL GROUP has acquired from the receiver the assets of Merchant Marine Shipping, which provides ships' agency, freight forwarding and distribution services.

HANDLEY-WALKER, management consultancy group, is buying Eamon Dundon and Associates for I£60,000 (£57,600) made up of 25,400 shares and I£4,000 cash.

Stanley Kalms: chairman of Dixons

JMD GROUP has disposed of the business of its Design consultancy subsidiary, John Michael Design, to a management buy-out for a cash consideration of £48,910. The purchaser is Deanbar, whose directors and shareholders are Davis Callcott and Terry Moores who have now resigned all their directorships with JMD Group and its subsidiaries.

LEIGH INTERESTS has paid £1.65m in 481,114 shares for Stansted Container Services, a dry waste disposal organisation based near Stansted Airport, and paid £625,000 in 187,126 ordinary for Smiths of Weston (Haulage Contractors), also a dry waste disposal company operating from Bristol. Of the total shares issued, 403,617 have been placed at 334p each.

MACARTHY has sold its horticultural wholesaling business for £780,000 to J Bibby Agricultural.

MARKHEATH SECURITIES: valid acceptances for the open offer received in respect of about 59.4 per cent. The balance of 24.8m shares will be subscribed for by Howard Smith.

MARLEY has acquired the business and assets of KKF Kark Fels, based in Lower Saxony. The West German company supplies high quality injection moulded plastic components to the automotive industry. Annual turnover is about DM15m (£5.4m).

PFG HODGSON KENYON, the funeral group, has sold several non-core activities. They are:- Cleggs Taxis for £112,000; three stone masonry businesses realising £615,000; and LT and R Vowles, coffin maker, for £430,000.

PRINCIPAL HOTELS Group, through its French subsidiary, has acquired the Hotel Ligure, Frejus, for FFr7.6m (£790,000) cash.

TURRIFF CORPORATION has acquired 80 per cent of Beauville Engineering for £125,000 through its Australian subsidiary.

UK PAPER: Offer made by Fletcher Challenge UK to acquire balance of UK Paper not already owned has been received in respect of 33.54m shares (42.07 per cent). With the addition of 40.4m shares purchased before posting of offer document, Fletcher Challenge owns or controls 92.75 per cent.

VG INSTRUMENTS: Fisons offer is wholly unconditional and remains open.

WELSH INDUSTRIAL Investment Trust: profit for year to April 5 1990 expected to be such that dividend can be significantly increased over last year's 1p. For first half profit was £20,253 (£14,676), and earnings 1.19p (0.82p). At October 31 1989 net asset value 261p (264p at April 1989).

WHESSOE has acquired the outstanding common and preference stock of Coggins Systems for $1.8m (£1.07m) cash. The US company is involved in the design and manufacture of computer control systems and equipment for measurement and control, mainly in the petrochemical industry.

WOOD NEWBOLD, a London-based advertising agency and ATP are to trade independently. ATP, which held 50 per cent of Wood Newbold, is to concentrate on media opportunities with its Leeds-based group, while Wood Newbold is keen further to strengthen its links with the US and Europe.

WOODINGTON: Offer by Bridgend has been accepted by 55.9 per cent following the receipt of a further 250,000 irrevocable undertakings.

SHARE STAKES

The following changes in company share stakes have been announced:-

BSG International: Through IEP Securities, Sir Ron Brierley holds 32.71m ordinary (16.12 per cent).

BSS Group: Prudential Corporation has disposed of 231,287 ordinary, reducing its holding to 1.07m (5.18 per cent).

Cambridge Electronic Industries: Funds under the control of Scottish Amicable Investment Managers hold 2.68m ordinary (6.25 per cent).

Copson (F): Fleming Mercantile Investment Trust is beneficially interested in 703,988 ordinary (6.05 per cent).

Creighton's Naturally: Funds managed by Friends' Provident Life Office now hold 296,381 ordinary (6.46 per cent).

Dares Estates: Funds under the control of Scottish Amicable Investment Managers hold 15.28m ordinary (8.2 per cent).

Millwall Holdings: Salara Properties (a company in which Mr RI Burr, a director, is interested) purchased 200,000 shares at 19p per share. As a result, Mr Burr's beneficial interest is 4.37m (6.71 per cent) and his non-beneficial holding 11.67m (17.95 per cent).

New Zealand Investment Trust: Co-operative Insurance Society has acquired 100,000 ordinary bringing its total holding up to 665,250 (6.65 per cent).

Noble Raredon: Ms B Nevzat, a director, bought 20,000 ordinary at 90p each and 10,000 at 92p to take her disclosable holding to 12.62m (65.1 per cent).

Pendragon: Robert Fleming Asset Management has increased its beneficial holding from 1.87m to 2.34m (11.68 per cent).

Portmeirion: ES Cooper-Willis has disposed of 1,000 shares. The total holding is now 1.2m ordinary (12.51 per cent).

Property Security Investment Trust has bought in 8,490 of its own preferential shares at par through the market.

Racal Electronics: BNV (Nominees) has reduced its interest in the ordinary shares to 297.06m (23.09 per cent).

Ramco Oil Services: Fidelity Recovery Trust has acquired 900,000 ordinary (5.34 per cent).

Robinson (Thomas): Robert Fleming Holdings is interested in 19.5m ordinary (12.34 per cent).

Specialeyes: Mr M Goldstone, a director, has acquired 42,500 ordinary at 20.5p a share and 20,000 at 22p. His total holding now 1.39m (9.41 per cent).

Sphere Investment Trust: Scottish American Investment increased its holding to 12m ordinary income shares (9.896 per cent) by a further 5.77m.

Steetley: Guardian Royal Exchange has sold its holding of 61,675 preference shares (15.9 per cent).

Tops Estates: Target Life Assurance has reduced its interest from 339,000 to 183,000 (0.4 per cent).

Tuskar Resources: Andenaesgruppen of Norway has sold 8.99m ordinary leaving holding 5.24m (3.7 per cent). The shares were placed with private clients of Schroder Securities at 75.5p each.

Umeco: Prudential Corporation has 75,000 ordinary (1.325 per cent) making holding 450,000 (7.95 per cent) – shares are registered to Prudential Nominees NFC A/C.

Warner Estate Holdings: Sir Henry Warner has acquired 5,500 shares at 181p, increasing holding to 8.89m (18.26 per cent).

Wassall: Hanson interest to be reduced from 13.35 per cent to 8.94 per cent following Wassall's offer for Metal Closures becoming unconditional.

Westport Group: Carlton Communications acquired 1.2m ordinary to increase holding to 30.89m shares (25.54 per cent) – shares are registered in names of Carlton Communications 26.83m ordinary and Corneylane 4.06m shares.

Whitbread: Whitbread Investment acquired a further 112,000 'B' ordinary at £11.80 to increase holding to 9.97m (60.06 per cent).

Whitegate Leisure: Hornby Trading is no longer interested in more than 5 per cent of equity.

Wilton Group: Funds managed by Gartmore Investment have reduced interest to 45.08m (14.5 per cent). Electra Investment Trust has increased holding to 42m (13.5 per cent). Mr MAC Buckley has acquired 400,000 ordinary at 4p each making holding 84.4m (27.13 per cent) – shares are registered in name of Dawnglen Finance.

Wolverhampton & Dudley Breweries: Scottish Amicable Investment Managers has acquired 209,856 ordinary bringing its holding to 4.36m (6.68 per cent).

VPNO 153838

NORGES HYPOTEKFORENING FOR NÆRINGSLIVET
13 1/2% EURO-NOK-LOAN OF 1982/1990

Final (6th) instalment - 30/4-1990

The remaining bonds:

3400, each of NOK 5000,-, in all NOK 17.000.000

are due for redemption on 30th April 1990.

Bonds shall be presented for redemption as follows:

Place of payment in Norway:
Den norske Creditbank, Oslo

Outside Norway:
Credit Suisse, Zürich
Dresdner Bank A/G, Frankfurt
Westdeutsche Landesbank Girozentrale, Düsseldorf
Manufacturers Hanover Ltd., London

Previously drawn but unpresented:

29 - 4/89	900 - 4/88	3522 - 4/87	7417 - 4/85
31 - 4/89	902 - 4/89	3592 - 4/89	7418 - 4/85
34 - 4/89	906 - 4/89	3730 - 4/89	7420 - 4/85
86 - 4/87	907 - 4/89	3733 - 4/89	7438 - 4/89
88 - 4/89	2115 - 4/89	3740 - 4/89	7446 - 4/89
89 - 4/89	2116 - 4/89	3742 - 4/89	7628 - 4/89
106 - 4/89	2139 - 4/89	3745 - 4/89	7647 - 4/89
116 - 4/89	2142 - 4/89	3757 - 4/89	7656 - 4/89
252 - 4/88	2165 - 4/89	3761 - 4/89	7963 - 4/89
255 - 4/89	2299 - 4/89	3776 - 4/89	8002 - 4/88
257 - 4/89	2305 - 4/89	3827 - 4/88	8006 - 4/88
258 - 4/88	2306 - 4/89	3829 - 4/88	8034 - 4/89
263 - 4/88	2337 - 4/87	4048 - 4/89	8035 - 4/87
276 - 4/88	2338 - 4/88	4130 - 4/89	8037 - 4/89
280 - 4/89	2339 - 4/87	4916 - 4/89	8038 - 4/88
282 - 4/89	2340 - 4/89	4998 - 4/89	8047 - 4/88
295 - 4/88	2341 - 4/88	5001 - 4/89	8057 - 4/88
303 - 4/89	2342 - 4/87	5002 - 4/89	8081 - 4/89
304 - 4/88	2343 - 4/88	5003 - 4/89	8097 - 4/89
305 - 4/89	2351 - 4/89	5004 - 4/89	8098 - 4/89
306 - 4/89	2360 - 4/89	5006 - 4/89	8153 - 4/89
331 - 4/89	2362 - 4/89	5016 - 4/89	8154 - 4/89
332 - 4/89	2367 - 4/89	5018 - 4/89	8221 - 4/89
333 - 4/89	2373 - 4/89	5020 - 4/89	8222 - 4/89
334 - 4/89	2375 - 4/89	5032 - 4/89	9364 - 4/89
339 - 4/89	2376 - 4/89	5207 - 4/86	9372 - 4/89
341 - 4/89	2377 - 4/89	6109 - 4/89	9373 - 4/89
343 - 4/89	2393 - 4/89	6135 - 4/85	9375 - 4/88
345 - 4/89	2396 - 4/89	6141 - 4/85	9382 - 4/89
348 - 4/89	2399 - 4/89	6144 - 4/85	9414 - 4/89
416 - 4/89	2402 - 4/88	6145 - 4/85	9450 - 4/89
424 - 4/89	2502 - 4/89	6545 - 4/89	9455 - 4/89
439 - 4/89	2519 - 4/89	6740 - 4/89	9457 - 4/89
444 - 4/89	2521 - 4/89	6748 - 4/89	9458 - 4/88
457 - 4/89	2531 - 4/89	6752 - 4/89	9459 - 4/89
466 - 4/89	2552 - 4/89	6754 - 4/89	9461 - 4/89
470 - 4/89	2559 - 4/89	6825 - 4/87	9661 - 4/89
475 - 4/89	2564 - 4/89	6826 - 4/89	9738 - 4/89
489 - 4/89	2703 - 4/89	6827 - 4/88	9756 - 4/89
540 - 4/89	2795 - 4/89	6831 - 4/89	9757 - 4/89
563 - 4/89	2797 - 4/89	6843 - 4/89	9885 - 4/89
569 - 4/88	2799 - 4/89	6851 - 4/89	9889 - 4/89
571 - 4/89	2800 - 4/89	6864 - 4/89	9890 - 4/89
574 - 4/88	2818 - 4/89	6869 - 4/89	9903 - 4/89
618 - 4/89	2862 - 4/89	6871 - 4/89	10069 - 4/89
620 - 4/89	2919 - 4/89	6981 - 4/89	10070 - 4/89
666 - 4/89	2924 - 4/89	6986 - 4/88	12321 - 4/89
669 - 4/88	2928 - 4/89	6989 - 4/89	12445 - 4/89
671 - 4/88	2929 - 4/89	6992 - 4/88	12455 - 4/89
672 - 4/87	2934 - 4/88	6995 - 4/89	12948 - 4/88
673 - 4/86	3159 - 4/89	6999 - 4/89	14061 - 4/88
674 - 4/86	3161 - 4/89	7099 - 4/89	14065 - 4/88
675 - 4/87	3162 - 4/89	7100 - 4/89	14133 - 4/89
701 - 4/89	3164 - 4/89	7102 - 4/89	14156 - 4/89
702 - 4/89	3169 - 4/89	7108 - 4/89	14161 - 4/89
721 - 4/89	3170 - 4/89	7188 - 4/89	14164 - 4/89
751 - 4/89	3179 - 4/89	7192 - 4/85	14167 - 4/89
890 - 4/87	3296 - 4/89	7195 - 4/89	14175 - 4/89
891 - 4/89	3297 - 4/89	7219 - 4/89	14306 - 4/89
893 - 4/89	3312 - 4/89	7222 - 4/88	14307 - 4/89
894 - 4/88	3315 - 4/89	7223 - 4/88	14308 - 4/89
898 - 4/89	3514 - 4/89	7294 - 4/89	

Oslo, 30th January 1990
Den norske Creditbank

DnC

CONTRACTS

$300m orders for Morrison Knudsen

MORRISON KNUDSEN CORPORATION, Boise, Idaho, US, has secured a $100m contract from the New York City Transit Authority for procurement and remanufacture of rapid transit passenger cars. The company will remanufacture 140 R-44 subway-type cars and will procure major components for 140 additional cars to be remanufactured by the agency. Work begins in the first half of this year, with delivery of the first two cars in July, with five cars per month thereafter and completion scheduled for January 1992.

The company has a contract from E.I. du Pont de Nemours and Co to design and build an industrial plant in Singapore that will produce a Nylon intermediate. Total cost is expected to be US$200m. Construction starts at the end of the year with completion set for early 1993.

★ ★ ★

SIMON CONTAINER MACHINERY INC, part of the Simon group, has orders from North America totalling £2m for corrugated board manufacturing equipment. Union Camp Corp, Alabama, has placed a fourth order following installations at plants in New Jersey, Maine and Missouri. International Paper Co, Wisconsin, will be installing the 300 VGM glue machine in the US this month. Traub Container is fitting an automatic pallet loading system in Cleveland, Ohio.

★ ★ ★

ADWEST GROUP subsidiary Air-log has been awarded a production contract worth over £16m by Vickers Shipbuilding and Engineering to supply the complete running gear system forthe AS90 self-propelled howitzer. The running gear includes an advanced form of the hydropneumatic suspension system which was originally pioneered by Air-log for the British Army Challenger main battle tank.

Missiles order

Ministry of Defence has awarded **BRITISH AEROSPACE DYNAMICS** a follow-on contract worth £37m for long-range Sea Eagle air-launched anti-ship missiles. Sea Eagle, which can be fitted to a wide variety of fixed-wing aircraft and helicopters, is currently in service with the Royal Air Force on Buccaneer aircraft and with the Royal Navy on Sea Harriers.

★ ★ ★

Belgian energy, engineering and communications holding company **TRACTEBEL** has won contracts to supervise the construction of methane gas terminals in Turkey and Spain. The company has refused to release financial details, but said the group's engineering consultancy unit Tractebel Industrie had won a contract from Turkey's Botas to supervise building of a terminal in the town of Ereglisi and a 22 km pipeline linking the terminal to a Russian pipeline. The project is due to be completed within three years. The Spanish contract involves the extension of a terminal in Huelva.

★ ★ ★

UNISYS has won a US$47m order to provide mainframes and systems support for an upgrade of the German air traffic control system. Included in the order are seven mainframe systems, the first phase of a development contract for a turnkey system, and for environmental services.

★ ★ ★

SULZER (UK), Farnborough, has over £4m orders for modified compressor trains for arduous North Sea duties. Shell has ordered two trains for the new Gannet production platform for gas gathering and lifting duties. Both are unusual - one is driven by the most powerful electric motor (14,500kW) to be used as a compressor motor in the North Sea; the other creates a high discharge pressure (200bar A). The modified trains use dry gas seals instead of liquid film seals, saving 20 tonnes weight and 12 sq metres space per train. Further orders from Shell for pump installations on the Gannet platform and on Tsing Yi island are worth over £1.7m.

★ ★ ★

MULTITONE ELECTRONICS has won orders worth over £3m for its Tone Plus pager. Telecommunications authorities in Holland have ordered 28,000 pages and the German Bundespost has increased its order by 8,000. Other orders come from Portugal, Switzerland, and the UK.

★ ★ ★

H&G ENGINEERING has won a £3.5m contract from Grafham Carbons for a plant to regenerate granular activated carbon, which is used mainly in the water treatment industry to clarify, de-odorise and improve the taste of water. To be built at Huntingdon, Cambs, it will produce 10 tonnes/day of regenerated carbon using a single furnace. The plant will be commissioned in March 1991. Grafham Carbons is a joint venture company between Anglian Water and Severn Trent Water. Both use activated carbon beds.

★ ★ ★

ANDREWS-WEATHERFOIL, part of Powell Duffryn, has orders worth over £20m. The largest, worth about £5m, is for engineering services for a new hotel at Terminal 4, Heathrow, for BAA. Another engineering services contract, worth over £4.5m, is for office developments for Grosvenor Square Properties at Denham Lock, Bucks, and Tower Bridge Court, London.

Waterworks to be upgraded

TAYLOR WOODROW has been awarded a US$62.7m contract to upgrade a wastewater treatment facility in the US. Completion is expected to take three years. At the Hoboken plant in Hudson County, New Jersey, the company will demolish preliminary treatment facilities, a secondary sludge digester, and a pumping station. Construction includes primary settling tanks, a trickling filter pump station, secondary clarification/filtration and ultraviolet disinfection facilities, plant affluent and effluent water supply pumping stations, and an administration and maintenance building, together with environmental landscaping.

★ ★ ★

THOMPSON NUCLEAR ENGINEERING, part of NEI Thompson, has won orders worth over £4m from British Nuclear Fuels for equipment for the nuclear waste encapsulation plant facility at Sellafield.

★ ★ ★

GENERAL DATACOMM, Woking, has won a £1.5m order from British Aerospace for the supply of 12 multiplexer systems which will double the size and complexity of BAe's Megastream-based private digital communications network.

★ ★ ★

ATTWOODS, Fulmer, Bucks, has been awarded a seven-year recyclable waste collection contract worth a minimum of US$30m by Metro-Dade county in Florida. Covering 225,000 homes, this will be the largest residential waste recycling plan in the US. The work will be carried out by Mindis Corp, acquired by Attwood last October.

★ ★ ★

Contracts worth a potential £12m to supply flight control equipment on two new British Aerospace projects have been awarded to the **LUCAS** aerospace actuation division. The first is for the 30-seat BAe Jetstream 41 for the hydraulically-powered flap and spoiler systems; and the second is for hydraulic control unit and flap actuating ballscrews for the six-seat BAe 125-1000.

Aircraft tanker conversions

FR GROUP has a contract from British Aerospace to refurbish 13 RAF VC 10 aircraft, and convert them to tankers. Worth £40m over four years, the work will be carried out by Flight Refuelling at Wimborne, and FR Aviation at Bournemouth.

★ ★ ★

A contract worth over US$1m for two tyre testing dynamometers has been awarded to a **TRAFALGAR HOUSE GROUP** company, Markham & Co, Chesterfield. The order was placed by Brown & Root Vickers, defence & industrial. The equipment is to be used for testing aeroplane tyres.

★ ★ ★

Canon (UK) has awarded **PCL COMPUTER SERVICES**, Rickmansworth, a £2m facilities management contract to handle all mainframe computer operations and technical support for the whole of Canon UK's business.

★ ★ ★

The Capita Group's joint venture company with British Telecom, **TELECOM CAPITA**, has won £25m orders in its first year of trading - £13m was to provide computer services to Berkshire County Council. The balance was for British Telecom, with commissions payable to Telecom Capita, which has sole rights to market a range of computing services for BT.

★ ★ ★

CORNIX SYSTEMS, Coventry, has won a £2.6m vessel traffic service contract for the Jeddah Islamic Port, said to be the busiest harbour in Saudi Arabia. The order includes tower-mounted radar and signal processing displays, computerised information networks, electronic port status maps, direction finding systems, and communications equipment enabling controllers to talk with ships.

★ ★ ★

WEIR PUMPS has won contracts, worth £5.5m, to supply in 12 months all the main pumping equipment for the new Piper B oilfield North Sea platform.

COMMODITIES AND AGRICULTURE

Britain's farm incomes total rises by 11 per cent

By David Blackwell

BRITISH TOTAL farm income rose by 11 per cent last year to £2.17bn, according to statistics published yesterday by the Ministry of Agriculture. However, the earnings figure remains below the £2.31bn for 1987 and £2.24bn in 1986.

The Ministry defines total farm income – the figure taken by the European Commission – as the return to farmers and their spouses, partners and directors and other family members who work on a farm.

The Ministry also gives a figure of £1.44bn for farming income last year, a rise of 16 per cent. This figure is reached if all people other than the farmer are assumed to have been paid as hired labour.

Mr John Gummer, Minister of Agriculture, yesterday welcomed the improvement in farming incomes, but was careful to stress that the farming industry represented a very broad spread, so that pressure on particular parts of it "may be very great."

Incomes on dairy, cropping, and pig and poultry farms were all improved. But hill and upland livestock farms in less favoured areas registered a drop in incomes.

The squeeze on farm incomes following EC measures to remove food surpluses had been "significant", Mr Gummer said, but the measures had had to be taken.

The Government was seeking to give greater security to farmers "in this very insecure world of surpluses." This aim was being pursued on three levels – by helping farmers to look after the land, by promoting schemes like that for Environmentally Sensitive Areas (ESAs); by seeking to get rid of disadvantages and distortions in the European Community, particularly the green pound system; and by protecting the farmer from the impact of future decisions, by initiatives such as nitrate protection schemes.

Mr Gummer emphasised that farmers needed to concentrate on better marketing of their produce and higher value outputs. "There are many ways a farmer can increase his income," he said.

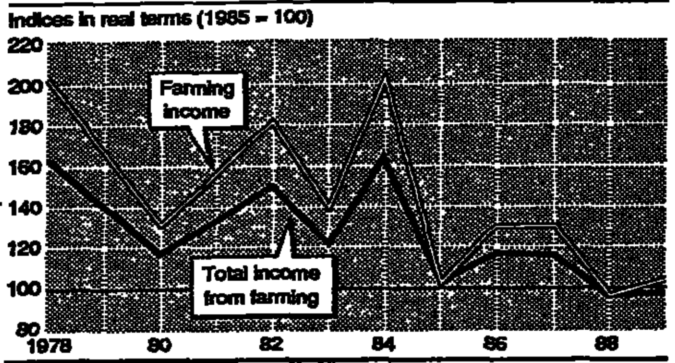
For the first time the Ministry's review of the year includes a section on Alternatives for Farmers, which details the rate of uptake of ESAs, land set-aside, and the farm diversification and farm woodland schemes.

"These schemes widen the range of opportunities available to farmers and can help them find the balance between producing for the market place and caring for our rural areas, which will be the main priority over the next decade," said Mr Gummer yesterday.

Agriculture in the United Kingdom, 1989 Edition, HMSO, £10.30

Farming income in the UK

Indices in real terms (1985 = 100)



Western oil stocks at 16-year low

By Maurice Samuelson

STOCKS OF oil held by Western oil companies have fallen to the lowest level since 1974, the year of the first world oil crisis, the International Energy Agency said yesterday.

The Paris-based agency, which monitors the world oil market on behalf of western nations, said oil companies' stocks in January were down to only 64 days forward cover, even though the Middle East producers were exceeding their own output target.

The IEA's monthly oil report estimated that members of the Organisation of Petroleum Exporting Countries produced 23.3m barrels of crude oil a day in January.

That was slightly lower than December's eight-year peak of 24m barrels a day, thanks to production cuts by Saudi Arabia, Kuwait and the United Arab Emirates.

But it was 800,000 b/d more than the 22.5m b/d which Opec Ministers had ordered from January 1 to prevent prices dropping below $18 a barrel.

Production in the non-Communist world as a whole is estimated at 54.3m b/d, of which OECD countries produced 16.3m b/d.

Consumption in the last quarter of 1989 was higher than expected, largely because of larger deliveries in North America. In December, consumption rose by 800,000 b/d, or 4 per cent, because of severe cold weather which, in the US north-east, was reported to be the coldest in 70 years and averaged 30 per cent colder than normal.

In Europe, too, the last quarter of 1989 saw a moderate rise oil consumption, partly reflecting the strong growth in demand for fuel oil by power stations in France and Italy.

For 1990 as a whole, OECD oil consumption is projected to average 38m b/d, 1 per cent more than in 1989.

WEEKLY METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,725-1,780 (1,690-1,750).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 3.90-4.30 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 4.60-5.00 (4.70-5.00).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.65-7.85 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 230-240 (235-245).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.65-2.70 (2.63-2.70).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.50-6.10 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 40-58 (41-59).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 2.30-2.40 (2.20-2.40).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.00 (9.20).

Peruvian metals output recovers

By Sally Bowen, in Lima

MINING OUTPUT figures just released show that Peruvian metals production output was up across the board in 1989 over 1988 levels. The four major metals – copper, zinc, lead and silver – were worth almost $2,350m to Peru last year, compared with $1,397m in 1988. The 1988 figures had been exceptionally low because of major national mining strikes which cost the country almost three months of production.

Copper output, at 364,000 tonnes was 22 per cent up on 1988, but still down on 1987 production which topped the 400,000-tonne mark. Zinc, Peru's second biggest metals earner, rose by about the same percentage with output of 597,000 tonnes for the year, 112,000 tonnes more than 1988, and just 15,000 tonnes short of the 1987 level. Lead production was 29 per cent up on 1988 at 192,000 tonnes but also still below 1987's output of 204,000 tonnes. Silver came in with the smallest increase in production – 18 per cent up in 1989 to total 1,840 tonnes.

Officials say copper and silver output is likely to remain unchanged in the first half of 1990 while a small rise in zinc and lead output is expected. An executive at the privately-owned Southern Peru Copper Corporation, which produces more than two thirds of Peru's copper, said that production would remain steady at about 120,000 tonnes for the first half.

State-owned producers do not anticipate significant increases in overall production although several have small-scale expansion plans.

Mineroperu is expanding its copper concentrator at Verro Verde, near the southern town of Arequipa, from current capacity of 18,000 tonnes to 42,000 tonnes this year. Tintaya, Peru's second largest copper producer with 11 per cent of national output, is completing a $2.5m expansion of a concentrator in Espinar, Cuzco.

But Centromin, third in the copper table and Peru's principal producer of zinc (with output of 217,000 tonnes in the year just ended) will continue to operate at around four fifths of 1987 levels because of continuing problems with spare parts shortages and run-down equipment. The company is said by mining industry sources to have been buying only a fifth of its annual replacement requirements in the past two years, though $12m is included in Peru's 1990 budget to start some essential modernisation.

● Centromin has lifted its 14-day *force majeure* on metals shipments after production recovered from a 10-day-strike, the company said yesterday.

South African gold profits squeezed

By Kenneth Gooding, Mining Correspondent

THE TRUE cost of South African gold production is currently averaging $350 a troy ounce and "even at today's stronger gold prices, about 15 per cent of South African gold is produced at a loss," says S. G. Warburg Securities, the financial services group, in its latest mining review.

Mr Michael Spriggs, Warburg's precious metals analyst, says his calculations take account of the high capital expenditure by the South African gold producers – currently running at about R2.5bn (£450m) a year.

This is equivalent to $49 an ounce of gold produced and much of the expenditure should more accurately be considered to be working cost.

"Much of this expenditure is designed to keep the mines alive by maintaining production. The number of genuine expansion projects is very limited," he points out.

Mr Spriggs suggests the South African gold industry continues to be squeezed by inflationary pressure and flat gold revenues.

The average cost of gold production in rand terms has doubled in the past three years and in the past two years the margin between revenue and costs has fallen by more than 40 per cent from just under R15,000 a kilogram to about R7,000.

In the past year, however, the industry's average working costs have risen by only 11 per cent which is well below the 15 per cent South African inflation rate. "This is a measure of the tough policies now being followed by the major groups to contain cost rises," says Mr Spriggs.

"But heroic management efforts cannot overcome the effect on costs per ounce of progressively falling grades."

In the two years to June 1989, the industry average grade (gold content per tonne of ore) fell by 10 per cent to an all-time low of 5.04 grams a tonne.

Since last June, however, the trend has been reversed, illustrating "the industry's drive for revenue by striving to raise gold production by focusing on areas of higher grade ore, sometimes at the expense of tonnage."

Mr Spriggs points out that the South African industry receives an almost constant local price of R1,000 to R1,050 an ounce for gold but rand costs continue to rise. "The impact on gold mine earnings and potential dividend distributions is a cause for concern."

JAPANESE police have found 11,000 fake Hirohito gold coins in circulation and fear many more may have been imported to Japan, Reuter reports from Tokyo.

Counterfeiters took advantage of the fact that the Hirohito's face value was more than double that of its gold content. At 20 grams of pure gold, the content was worth about 40,000 Yen when the coins were issued in 1986 and 1987 but the face value of each – the coins were legal tender – was 100,000 Yen.

Documents discovered at three Tokyo dealers appear to show a total of more than 100,000 coins were imported. A total of 13m genuine Hirohito coins were minted to celebrate 60th anniversary of the late emperor's accession to the throne of Japan.

Gold makes a comeback in Ghana

William Keeling finds a new free market is begining to pay dividends

IN THE high forest of the western region of Ghana a fleet of earth-moving vehicles has appeared. Directed by two burly Australian engineers, they are clearing and levelling a 50-acre site.

The vehicles belong to a motley collection of small-time local contractors who jokingly refer to them as Dinky toys. Yet the people involved are certainly not running a toy outfit. Their job is part of a $80m project to construct within a 12 month period the most sophisticated gold-mine yet seen in Ghana.

The company concerned is Canadian Bogosu Resources, the shareholders of which are Billiton International Metals (65.5 per cent), Sikaman Gold Resources of Canada (15.5 per cent), the Government of Ghana (10 per cent) and the International Finance Company (9 per cent).

The concession covers 95 sq km and the plant is designed to process 900,000 tonnes of ore a year, with initial output of 120,000 troy ounces a year. It is the largest of several new mines opening in Ghana, which has seen renewed investor interest in the gold sector since the Government adopted an IMF and World Bank sponsored structural adjustment programme in 1983.

Gold is becoming ever more crucial to the success of Ghana's economic recovery, which has been placed in jeopardy by the collapse of the cocoa price, the commodity which has traditionally accounted for more than 50 per cent of foreign exchange earnings.

The decline of the nation's primary export has placed even greater pressure on the Government to move from state control to a free market approach within the gold sector. From independence the industry suffered from adverse market conditions and economic mismanagement, with production falling from a 1960 high of 915,000 ounces to a 1983 low of 283,000 ounces.

The new approach of the present administration is beginning to pay dividends, however, with production rising in 1989 to 429,463 ounces. This level will increase substantially when CBR begins operation but the future should be brighter still. The project manager of CBR, Mr R. D. B. Wilkinson, believes that, given a stable economic environment, there is "no reason why Ghana's gold production should not double in the short term and perhaps triple over the next decade."

At the heart of the projected surge is the long-established Ashanti Goldfields Corporation, jointly owned by Lonrho (45 per cent) and the Government of Ghana (55 per cent). In 1984 the company began a $156m rehabilitation programme which, as Dr J.A. Clarke, strategic planning executive, explained, "has put us in a position where we can now plan our future with a secure base." Production has increased by 11 per cent a year in each of the last three, years leading to a 1989 figure of 338,932 ounces.

For a company famed for the richness of its concession the future looks bright. A further $92m is being secured for the Sansu project which involves a 200,000 tonnes-a-month oxide-ore processing plant scheduled to be in operation by March 1991 and a doubling of the tailings plant throughput to 4,000 tonnes a day. These should lead to an increase in production to over 700,000 ounces a year. And there are additional plans to build a sulphide-ore processing plant by mid-1992 to exploit the considerable alluvial reserves within the 100 sq mile concession, to sink a refrigerated shaft below 5,200 feet and to develop a further mine at the Gyabunsu site.

Dr Clarke confidently predicts that Ashanti will be producing 1,000,000 ounces a year by the late 1990s. The only serious problem so far encountered has been where to put the waste material from the surface mine operations as precautionary drilling at the proposed sites revealed commercial quantities of gold.

It is difficult to find a company which is not bullish about the future prospects of the gold industry in Ghana. CBR should be beaten into production by Teberebie Goldfields, owned by 90 per cent by the Pioneer Group of the US, which has a production target of 100,000 ounces a year, while Southern Cross, which started production in May 1988 and was Ghana's first new gold mine for over 40 years, hopes to increase production in 1990 to 48,000 ounces from 34,488 last year.

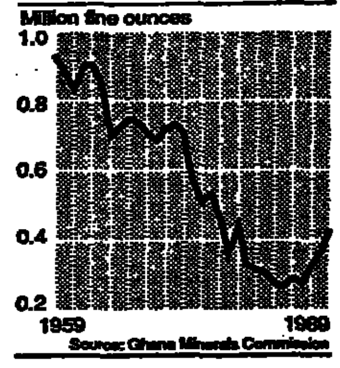
Ghana Australian Goldfields, the majority shareholder in which is Golden Shamrock Mines of Australia, has submitted a feasibility study for production of 60,000 ounces and is negotiating finance with the IFC. In addition companies such as Europa Minerals and Cluff Resources have taken prospecting leases.

There are also signs that at least two of the three mines within the state Gold Mining Corporation may find new ownership within the near future. Both Billiton International Metals and Osbourne Chappel Payne have expressed an interest in Dunkwa Goldfields, an alluvial operation which last year produced 6,905 ounces but which has a feasible production of over 50,000 ounces a year. Proposals have also been received for Prestea underground mine which is in poor condition and with low proven reserves. Production has fallen from 110,533 ounces in 1970 to 19,388 ounces in 1989, mainly because of lack of investment.

If production does rise to 1.5m ounces a year gold will supplant cocoa as the Ghana's leading foreign exchange earner. Despite the rise in its fortunes, however, it would not be wise to rely on gold as the main instrument of economic recovery. Nevertheless, the Government may draw certain conclusions from the example of this increasingly free-market sector.

Ghana: Gold production

Million fine ounces



Source: Ghana Minerals Commission

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices hit fresh 14-year lows yesterday as continuing gloomy fundamentals triggered a wave of liquidation. The May contract fell £20 to close at £557 a tonne, ignoring the £565-a-tonne resistance level set last month. Sterling's continued strength against the dollar was another negative factor, traders said. On the bullion market gold was unable to break out of a tight range, but held above $420 an ounce, bolstered by the weaker dollar and political uncertainty in the Soviet Union and South Africa. Dealers said the underlying trend remained bullish, and are looking for $425 to be tested in the short term. Nickel was the biggest mover on the LME, closing just above the day's low. Most analysts expect a return to the recent 2¼-year low soon, although the lower prices have attracted small-scale European offtake.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$16.75-6.85z	-.125
Brent Blend	$19.85-9.90z	-0.20
W.T.I. (1 pm est)	$22.53-2.56z	-0.28
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$227-229	-3
Gas Oil	$167-168	-3
Heavy Fuel Oil	$88-90	
Naphtha	$195-198	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$421.25	-2.00
Silver (per troy oz)♣	532c	-5
Platinum (per troy oz)	$512.00	-1.25
Palladium (per troy oz)	$135.75	-0.25
Aluminium (free market)	$1425	-10
Copper (US Producer)	102⅝-104c	
Lead (US Producer)	40.5c	
Nickel (free market)	285c	-25
Tin (Kuala Lumpur market)	16.52r	-0.06
Tin (New York)	287c	+1
Zinc (US Prime Western)	85¼c	
Cattle (live weight)†	108.62p	-2.11*
Sheep (dead weight)†	205.81p	-1.80*
Pigs (live weight)†	84.67p	+0.41*
London daily sugar (raw)	$358.6x	+2.0
London daily sugar (white)	$432x	+1
Tate and Lyle export price	£325.0	-0.5
Barley (English feed)	£114.25	+0.50
Maize (US No. 3 yellow)	£128	
Wheat (US Dark Northern)	£130	
Rubber (spot)♥	Unq	
Rubber (Mar)♥	55.75p	-0.25
Rubber (Apr)♥	56.75p	-0.25
Rubber (KL RSS No 1 Mar)	230.5m	-0.5
Coconut oil (Philippines)§	$415t	
Palm Oil (Malaysian)§	$275.5	+0.5
Copra (Philippines)§	$270	
Soyabeans (US)	£159.5	+1.0
Cotton "A" index	76.10c	+0.40
Wooltops (64s Super)	566p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Mar/Apr. v-Jan/Mar. w-Feb. z-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Mar	620	619	623 618
May	631	630	634 628
Jul	644	643	646 640
Sep	660	661	662 658
Dec	685	684	686 682
Mar	705	705	706 702
May	720	718	720 717

Turnover: 6287 (5732) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 6 751.03 (757.45) 10 day average for Feb 7 756.44 (759.32)

COFFEE – London FOX			£/tonne
	Close	Previous	High/Low
Mar	549	568	564 548
May	557	577	575 555
Jul	576	595	585 572
Sep	591	609	600 589
Nov	607	623	617 606
Jan	620	641	633 620
Mar	642	659	652

Turnover: 4842 (2195) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 5: Comp. daily 82.27 (82.97). 15 day average 82.14 (82.07)

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Mar	323.20	328.00	328.00 321.80
May	323.00	328.00	327.80 321.80
Aug	321.80	326.20	326.00 321.00
Oct	312.40	316.40	316.00 311.40
Dec	310.60	314.00	310.00
Mar	290.00	294.60	294.00 289.20
May	288.80		291.80
White	Close	Previous	High/Low
Mar	428.3	431.0	431.0 427.0
May	424.5	428.5	428.0 423.5
Aug	427.5	431.5	430.5 427.0
Oct	391.5	395.0	394.0 391.5
Mar	359.5		362.0 360.3

Turnover: Raw 2882 (2246) lots of 50 tonnes. White 1106 (1282)
Paris- White (FFr per tonne): Mar 2419, May 2419, Aug 2450, Oct 2247, Dec 2100, Mar 2080.

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Mar	19.82	19.57	19.98 19.77
Apr	19.31	19.36	19.42 19.23
May	18.99	19.10	19.00 18.88
IPE Index	20.02	20.01	

Turnover: 9850 (8816)

GAS OIL – IPE			$/tonne
	Latest	Previous	High/Low
Feb	166.50	167.00	167.50 165.00
Mar	164.00	163.75	164.75 161.00
Apr	160.50	160.00	162.00 158.00
May	158.50	158.50	159.50 157.00
Jun	158.00	158.50	159.25 158.00
Jul	159.50	163.00	159.50 158.50
Aug	161.50		161.50
Sep	164.00		164.00 162.50
Oct	163.50	167.00	163.50

Turnover 7784 (5844) lots of 100 tonnes

JUTE
February/March c and f Dundee BTC $580, BWC $580, BTD $540, BWD $540; c and f Antwerp BTC $560, BWC $560, BTD $525, BWD $515.

COTTON
Liverpool-Spot and shipment sales for the week ended February 2 amounted to 436 tonnes against 469 tonnes in the previous week. Fair operations occurred with dealings in West African, Russian and Turkish growths.

LONDON METAL EXCHANGE	(Prices supplied by Amalgamated Metal Trading)				
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 11,675 tonne
Cash	1418-22	1425-8	1412/1411	1411-2		
3 months	1435-7	1442-3	1439/1425	1426-9	1438-9	34,525 lots
Copper, Grade A (£ per tonne)						Ring turnover 20,525 tonne
Cash	1326-7	1329-31	1326/1316	1316-7		
3 months	1337-8	1339-40	1336/1327	1327-8	1337-8	61,186 lots
Lead (£ per tonne)						Ring turnover 6,700 tonne
Cash	423-4	423.5-4.5	426/425	425-6		
3 months	414-5	414-4.5	414/411	413-4	412-3	9,822 lots
Nickel ($ per tonne)						Ring turnover 972 tonne
Cash	6180-210	6380-400	6200/6160	6125-50		
3 months	6130-50	6300-25	6250/6125	6125-50	6125-50	6,962 lots
Tin ($ per tonne)						Ring turnover 540 tonne
Cash	6220-40	6180-210	6150	6150-5		
3 months	6350-60	6300-20	6380/6270	6275-80	6360-400	5,329 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 9,100 tonne
Cash	1313-5	1332-7	1315	1315-6		
3 months	1310-1	1322-4	1320/1308	1310-1	1318-9	16,515 lots
Zinc ($ per tonne)						Ring turnover 2,000 tonne
Cash	1320-5	1340-5	1320	1320-5		
March 30	1290-300	1320-30		1290-300		1,058 lots

LME Closing £/$ rate: SPOT: 1.7000 3 months: 1.6731 6 months: 1.6466 9 months: 1.6249

POTATOES – BFE			£/tonne
	Close	Previous	High/Low
Feb	140.0	143.0	140.0
Apr	194.0	204.5	203.9 194.0
May	220.0	226.5	224.0 220.0

Turnover 790 (146) lots of 40 tonnes.

SOYABEAN MEAL – BFE			£/tonne
	Close	Previous	High/Low
Feb	124.00	125.00	124.00
Apr	128.00	129.00	129.00 128.00
Jun	124.50		125.50 124.50

Turnover 179 (178) lots of 20 tonnes.

FREIGHT FUTURES – BFE			$10/index point
	Close	Previous	High/Low
Feb	1563	1565	1570 1557
Mar	1582	1588	1590 1576
Apr	1605	1605	1615 1598
Jul	1364	1370	1370 1358
Oct	1490		1490
BFI	1606	1619	

Turnover 549 (433)

GRAINS – BFE			£/tonne
Wheat	Close	Previous	High/Low
Mar	113.90	114.70	114.30 113.85
May	118.00	118.70	118.40 117.65
Jun	120.05	120.70	120.15 120.00
Sep	106.05	106.20	
Nov	109.00	109.15	109.30 109.00
Jan	112.55		112.80
Barley	Close	Previous	High/Low
Mar	108.10	108.30	108.15 108.10
May	110.25	110.85	110.60 110.25
Mar	112.90		112.95

Turnover: Wheat 349 (98), Barley 65 (91).
Turnover lots of 100 tonnes.

PIGS – BFE			(Cash Settlement) p/kg
	Close	Previous	High/Low
Feb	113.0	110.5	
Apr	116.0	115.0	115.0 114.0
Jun	116.0	115.0	116.0 115.5
Oct	118.5		118.0

Turnover 55 (15) lots of 3,250 kg

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	421-421½	247¼-247¾
Opening	421-421½	247¾-248¼
Morning fix	421.40	247.257
Afternoon fix	421.05	247.095
Day's high	422-422½	
Day's low	420¼-420¾	
Coins	$ price	£ equivalent
Mapleleaf	430-435	252½ – 255½
Britannia	430-435	252½ – 255½
US Eagle	430-435	252½ – 256½
Angel	430-435	252½ – 255½
Krugerrand	421-424	247-249
New Sov.	98½-100½	57¾-58¾
Old Sov.	98½-100½	57¾-58¾
Noble Plat	518.90-527.10	304.60-309.40
Silver fix	p/fine oz	US cts equiv
Spot	311.80	531.75
3 months	323.35	542.75
6 months	334.80	553.80
12 months	358.30	577.85

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1400	46	86	15	28
1450	21	40	39	50
1500	8	22	78	82
Copper (Grade A)	Calls		Puts	
2200	84	105	30	72
2250	56	79	50	98
2300	36	60	81	126
Coffee	Mar	May	Mar	May
500	49	63	1	6
550	12	31	14	25
600	1	12	53	57
Cocoa	Mar	May	Mar	May
550	69			
600	23	48	4	17
650	2	23	33	42
Brent Crude	Mar	Apr	Mar	Apr
1950		40	2	
2000	4	21	12	
2050				

US MARKETS

THE PRECIOUS METALS finished the day lower in quiet trading, reports Drexel Burnham Lambert. Gold eased with profit-taking as the market was held to a narrow range. Silver also eased, but held underlying support. Indications that the U.S. Federal Reserve would not ease credit added to weakness. Copper finished slightly higher in a consolidating action. Crude oil and heating oil futures rallied as the markets held short-term support areas in sessions which were otherwise featurelessas the markets awaited publication of the A.P.I. statistics. Unleaded gasoline continued to weaken as traders anticipated a bearish report from the A.P.I. Sugar fell as commission house long-liquidation took the market through near-term uptrends although scale-down trade buying held the market above longer-term support levels. Cocoa eased marginally on light arbitrage selling and long-liquidation.

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Feb	421.3	422.4	422.0	420.8
Mar	423.4	424.8	423.0	423.0
Apr	426.4	427.5	427.4	425.3
Jun	432.1	433.3	433.2	431.3
Aug	437.3	438.6	438.5	437.1
Oct	442.8	444.2	0	0
Dec	448.3	449.7	449.5	447.5
Feb	454.0	455.5	453.5	453.5
Apr	459.4	460.9	460.0	459.5

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Feb	530.8	532.9	0	0
Mar	533.5	535.8	536.0	531.1
Apr	537.7	540.0	0	0
May	542.0	544.3	544.0	540.0
Jul	550.4	552.7	553.0	548.5
Sep	559.2	561.5	561.5	559.0
Dec	571.0	573.4	573.0	570.0
Jan	574.5	576.9	0	0
Mar	583.2	585.6	584.0	583.0
May	591.3	593.7	593.0	593.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	100.00	99.50	0	99.50
Mar	99.20	98.70	98.70	98.30
Apr	98.80	98.20	98.60	98.25
May	98.20	97.60	98.30	97.60
Jun	97.60	97.00	98.00	97.00
Jul	97.20	96.50	97.30	96.90
Aug	96.70	96.00	0	0
Sep	96.10	95.50	96.40	96.40
Oct	95.70	95.10	0	0
Nov	95.30	94.70	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Feb 6	Feb 5	mnth ago	yr ago
1773.4	1777.8	1813.4	1987.5

DOW JONES (Base: Dec. 31 1974 = 100)				
	Feb 5	Feb 2	mnth ago	yr ago
Spot	128.56	128.29	127.83	136.74
Futures	129.90	129.80	130.70	139.27

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Feb	511.3	512.0	0	0
Apr	518.3	519.0	519.8	516.5
Jul	524.4	525.0	525.5	524.5
Oct	530.4	531.0	0	0
Jan	536.9	537.5	0	0
Apr	544.4	545.0	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Mar	22.57	22.39	22.72	22.30
Apr	21.87	21.78	22.00	21.61
May	21.47	21.38	21.61	21.25
Jun	21.10	21.04	21.27	20.95
Jul	20.78	20.73	20.91	20.68
Aug	20.48	20.45	20.62	20.40
Sep	20.34	20.23	20.34	20.21
Oct	20.13	20.07	20.17	20.01
Nov	20.03	19.97	20.07	19.97
Dec	20.00	19.91	20.08	19.92

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Mar	5640	5595	5665	5535
Apr	5515	5481	5540	5430
May	5390	5369	5400	5320
Jun	5285	5261	5310	5225
Jul	5300	5251	5310	5220
Aug	5340	5311	5350	5310
Sep	5435	5401	5475	5425
Oct	5525	5471	5525	5525
Dec	5645	5611	5700	5645

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	965	974	983	963
May	965	975	978	963
Jul	978	987	989	974
Sep	996	1006	1008	993
Dec	1018	1028	1030	1019
Mar	1037	1045	1038	1037
May	1050	1057	0	0
Jul	1064	1071	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	80.04	80.04	80.20	79.65
May	81.79	81.77	81.90	81.35
Jul	83.60	83.45	83.65	83.00
Sep	85.18	85.25	85.35	84.50
Dec	87.38	87.50	87.60	87.00
Mar	89.38	89.73	89.60	89.40
May	91.25	91.63	91.75	91.25
Jul	93.00	91.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	14.60	14.88	14.77	14.58
May	14.56	14.82	14.72	14.54
Jul	14.42	14.68	14.57	14.40
Oct	14.06	14.26	14.16	13.99
Mar	13.33	13.54	13.48	13.28
May	13.24	13.46	13.40	13.40
Jul	13.20	13.38	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Mar	66.52	67.64	67.78	66.40
May	67.90	68.88	68.90	67.80
Jul	68.14	69.02	69.00	68.08
Oct	66.05	66.55	66.45	65.90
Dec	64.90	65.35	65.35	64.85
Mar	65.60	66.10	65.80	65.70
May	66.20	66.90	66.50	66.50

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	195.05	190.95	195.50	187.60
May	192.80	189.50	193.60	185.10
Jul	189.25	187.20	189.50	183.00
Sep	186.00	181.00	186.00	178.00
Nov	182.60	177.60	182.60	174.60
Jan	178.50	174.75	172.00	172.00

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Mar	562/6	558/2	563/0	557/4
May	574/6	571/2	575/0	570/2
Jul	585/6	583/2	586/0	581/4
Aug	589/4	586/6	589/6	586/0
Sep	587/6	585/0	588/0	584/4
Nov	590/4	590/4	592/0	588/4
Jan	600/0	600/0	600/4	598/4
Mar	611/0	612/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	19.09	19.13	19.13	18.97
May	19.44	19.47	19.47	19.32
Jul	19.69	19.69	19.71	19.59
Aug	19.73	19.73	19.75	19.62
Sep	19.72	19.75	19.75	19.67
Oct	19.71	19.70	19.75	19.68
Dec	19.83	19.81	19.85	19.75
Jan	19.85	19.81	19.85	19.85

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Mar	167.4	166.2	167.5	165.8
May	170.6	169.8	170.7	169.5
Jul	173.8	173.1	174.0	172.8
Aug	175.3	174.8	175.5	174.4
Sep	176.4	176.4	177.0	175.8
Oct	178.0	177.5	178.5	176.9
Dec	180.4	180.7	181.0	179.3
Jan	181.0	181.7	181.0	180.6

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	237/6	238/4	238/4	236/4
May	243/2	241/4	243/6	241/6
Jul	247/2	245/4	247/6	245/4
Sep	245/0	242/4	245/6	242/4
Dec	242/4	240/0	243/2	240/2
Mar	249/0	246/4	249/4	246/4
May	252/4	250/0	252/6	252/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	382/6	383/4	384/4	381/2
May	367/0	369/2	368/4	366/4
Jul	346/4	348/6	348/4	346/0
Sep	352/2	354/6	354/4	352/0
Dec	362/6	365/6	365/4	362/4
Mar	369/0	372/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	79.35	79.55	79.90	79.30
Apr	77.27	77.02	77.65	76.97
Jun	72.62	72.72	72.85	72.50
Aug	71.37	71.52	71.70	71.25
Oct	72.75	72.57	73.05	72.50
Dec	73.50	73.25	73.55	73.20
Feb	73.35	73.25	73.75	73.35

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Feb	48.82	49.02	49.15	48.55
Apr	46.72	47.02	47.00	46.62
Jun	51.67	51.85	52.07	51.58
Jul	51.95	51.95	52.15	51.70
Aug	50.25	50.35	50.50	50.15
Oct	45.60	45.62	45.80	45.45
Dec	46.65	46.05	46.10	45.80
Feb	46.20	46.60	0	46.20

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	50.50	50.52	51.45	50.30
Mar	50.80	51.00	51.80	50.60
May	52.02	52.30	52.85	51.90
Jul	52.32	52.77	53.25	52.30
Aug	50.40	50.70	51.20	50.35
Feb	54.75	54.75	55.50	54.75
Mar	55.00	54.50	55.00	0

LONDON STOCK EXCHANGE

Support levels lost in late trading

IN LATE trading yesterday London equities slipped below their recently-regained support levels as traders went home to wait nervously for news from the US on the first of this week's auctions of Federal securities. Trading volume was light, however, and dealers reported no significant increase in selling during the final downturn, which left the Footsie Index with a 27 point loss on the day.

A batch of downgradings of profits forecasts for major companies by several UK securities houses weakened the London market early in the session, and investors were further discouraged by a fall in the US dollar and an easier trend in the West German stock market. London was already 17 Footsie points down and fighting to hold on to its 2,330 support level when Wall Street opened, and quickly challenged its own Dow 2,600 support line.

The FT-SE Index quickly extended its loss to close a net 27.3 points down at 2,321.1. Investment activity almost came to a standstill when the New York market opened for the new session, although the Seaq volume total of 406.9m shares increased from 377.8m in the previous session.

After the close, London became a prey to speculation as to the outcome of the auction of three year US Federal paper. A leading US house claimed that the auction appeared to be proceeding better than feared and that London might therefore open firmer this morning.

The corporate profits downgradings, which originated from at least two major players in the London market – a marketmaking firm and a merchant banker – covered a wide range of equities and a number of leading companies. Building shares, which have featured in the equity market's optimistic response to the dramatic political developments in eastern Europe, the insurance and the food manufacturing sectors all came in for bearish comment.

Among leading stocks to suffer from supposed downgradings were Beazer and Costain.

A further damper on market sentiment was a generally critical response from the press and the investment community to the £125m rights issue from Rosehaugh, the property group. Further losses were suffered in property stocks as investors backed away from the effects on the industry of high UK interest rates and apparently falling demand in many areas for retail and office property.

However, turnover in many of the market's big name stocks was not heavy and the continued firmness in the pound gave further hope that domestic interest rates will be held at present levels, and are expected to ease later in the year. Traders commented that the London could recover yesterday's setback "just as quickly" if the US Federal auctions pass off successfully.

Account Dealing Dates		
*First Dealings:		
Jan 29	Feb 12	Feb 26
Option Declarations:		
Feb 8	Feb 22	Mar 8
Last Dealings:		
Feb9	Feb 23	Mar 9
Account Day:		
Feb 19	Mar 5	Mar 19

*New time dealings may take place from 9.00 am two business days earlier

FINANCIAL TIMES STOCK INDICES

	Feb 6	Feb 5	Feb 2	Feb 1	Jan 31	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	81.23	81.02	81.51	81.66	81.55	88.08	89.29 (8/2/89)	81.02 (5/2/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	90.97	90.93	91.03	91.06	91.08	97.08	99.59 (15/3/89)	90.85 (26/1/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1835.6	1861.0	1868.4	1886.0	1864.0	1694.9	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	378.5	370.4	362.0	349.3	358.0	165.8	378.5 (6/2/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2321.1	2348.4	2355.1	2345.8	2337.3	2072.8	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.66	4.63	4.61	4.60	4.60	4.31				
Earning Yld %(full)	11.32	11.17	11.13	11.13	11.13	10.80				
P/E Ratio(Net)(☆)	10.69	10.83	10.87	10.87	10.87	11.23				
SEAQ Bargains(5pm)	25,845	29,088	26,383	27,442	28,711	33,153				
Equity Turnover(£m)†	-	749.93	855.75	931.90	1127.77	1051.03				
Equity Bargains†	-	29,406	26,883	27,961	28,593	46,400				
Shares Traded (ml)†	-	395.7	399.4	398.3	494.8	454.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.64

Ordinary Share Index, Hourly changes Day's High 1857.4 Day's Low 1834.0

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1857.4	1849.3	1848.8	1848.1	1847.8	1847.0	1845.6	1842.0

FT-SE, Hourly changes Day's High 2345.4 Day's Low 2320.0

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2345.4	2336.2	2338.5	2335.4	2335.2	2335.1	2333.0	2329.0

GILT EDGED ACTIVITY

Indices*	Feb 5	Feb 2
Gilt Edged Bargains	70.5	78.8
5-Day average	84.3	86.2

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	744	195	-2	Comm. Union	549	505	-7	Lloyds Bank	3,000	295	-5	Sedgwick	349	288	-2
ASDA Group	3,300	108½	-3	Cookson	803	233	-3	LASMO	988	618	-7	Shell Transport	1,300	479	-3
Abbey National	1,800	187	-3	Courtaulds	846	383	-2	Lonrho	2,900	288	-8	Siebe	909	434	-5
Allied-Lyons	647	486	-5	Dalgety	374	391	-2	Lucas	1,000	612	-5	Slough Ests	150	307	-3
Amstrad	2,400	52	-2	Dixons	590	126	-2	MB Group	679	215	-1	Smith (W.H.) A	250	328	
Argyll Group	558	212	-1	Eng. China Clays	124	430	-5	MEPC	134	504	-5	Smith & Nephew	2,800	119½	-1
Ass. Brit. Foods	335	397	-3	Enterprise Oil	877	676	+2	Marks & Spencer	1,400	204	-3	SmKl Beecham	810	544	-3
BAA	705	385	-8	FKI	785	89		Maxwell Comm.	1,000	208	-2	SmKl Beecham Units	35	2491	-17
BAT Inds.	1,200	802	-14	Ferranti	3,400	38	-1	Mecca Leisure	1,800	151		Smiths Inds.	47	348	-4
BET	912	245	-6	Fisons	2,400	329	-1	Midland Bank	1,200	365	-11	Standard Chartd.	232	500	-6
BICC	917	450	-6	Gen. Accident	297	1163	-10	NatWest Bank	3,300	347	-10	Storehouse	775	111	-1
BOC	580	526	-1	General Elect.	6,800	227	-2	Next	2,000	86	-3	Sun Alliance	1,500	313	-4
BPB Inds.	340	229	-3	Glaxo	2,550	703	-8	Northern Foods	609	305	-5	Sun Life	4	1083	
BTR	1,600	441	-3	Globe Inv.	528	182	-1½	Pearson	180	740	-11	T&N	113	208	-2
Barclays	995	571	-11	Glynwed Int.	658	284	-3	P & O	1,200	595	-8	TI Group	528	425	
Bass	528	992	-15	Granada	1,100	325	-6	Pilkington	1,000	223	-2	TSB	15,000	141	-3
Beazer	1,600	154	-7	Grand Met.	2,500	598	-10	Polly Peck Intl.	1,800	411	-1	Tarmac	1,800	235	-5
Beresford Int.	369	142	-3	GUS A	279	1025	-17	Prudential	998	221	-3½	Tate & Lyle	4,300	313	-6
Blue Arrow	59	85½	-½	GRE	1,000	242	-10	RHM	599	428	-7	Taylor Woodrow	87	281	-3
Blue Circle	2,900	229	-6	GKN	695	404	-11	RMC	182	671	-14	Tesco	2,300	185	-3
Boots	1,500	267	-2	Guinness	775	648	-11	RTZ	1,300	508	-7	Thames Water	2,000	156	-2½
Brit. & Comm.	1,980	72	-2	Hammerson 'A'	63	794	-3	Racal	3,500	221	-1	THORN EMI	359	770	-14
Brit. Aerospace	565	547	-6	Hanson	4,600	229½		Racal Telecom	284	382	-6	Trafalgar House	177	340	-5
British Airways	2,100	187	-4	Hanson Warrants	23	85½	-½	Rank Org.	284	789	-8	Trusthouse Forte	1,300	284	-7
British Gas	4,700	224	-1	Harrisons Cros.	2,000	156		Reckitt & Colman	125	1260	-15	Ultramar	2,800	374	-11
British Land	983	381	-17	Hawker Sidd.	266	650	-5	Redland	709	666	-5	Unigate	1,000	312	-8
BP	6,800	344	-3	Hillsdown	647	262	-3	Reed Intl.	814	412	-6	Unilever	952	663	-10
British Steel	4,000	135	+½	IMI	142	225	-1	Reuters	1,100	1021	+11	United Biscuits	512	340	-4
British Telecom	3,800	303	-6	ICI	773	1079	-8	Rolls Royce	6,600	181		Utd. Newspapers	5,000	404	-6
Bunzl	1,100	185	-2	Inchcape	877	272		Rothmans	135	639	-12	Wellcome	454	689	-3
Burmah Oil	458	650	+2	Jaguar	1	849		Ryl Bk Scotland	1,600	208	-2	Whitbread 'A'	634	395	-7
Burton	2,700	187	-2	Kingfisher	1,200	277	-1	Royal Insurance	1,900	508	-4	Williams Hldgs.	2,800	239	+6
Cable & Wire.	1,100	536	-1	Ladbroke	870	313	-5	STC	676	253	-5	Willis Faber	65	271	-4
Cadburys	1,700	343	-10	Land Securities	273	501	-6	Saatchi	790	235	-5	Wimpey	158	258	-2
Calor Group	64	357	-4	Laporte	77	516	-4	Sainsbury	1,416	280	-5				
Carlton Comms.	658	773	-19	Legal & General	373	411	-4	Scottish & New.	533	331	-4				
Coats Viyella	314	131	-1	Lloyds Abbey	155	315	-4	Sears	11,000	100					

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Reuters resists trend

Reuters was the firmest FT-SE constituent, rising 11 to 1021p while the rest of the market slipped away. Volume was strong, although not exceptional, at 1.1m. Dealers reported that buying had been concentrated in the US, always a centre of interest in the stock. Marketmakers, rather than clients, led the buying. Currencies have been very favourable for the company over the last year.

The company's preliminary results are due on February 13, with a presentation for analysts that day in London and another the following day in New York. These factors focused minds on the stock and inspired bullish sentiment.

Smith New Court commented that the rise in Reuters did not concern any new forecasts or upgradings, but was more closely related to strengthening sentiment in the US. Consistent growth in earnings per share, 32.1 per cent last year, was noted as a particular reason: "Put it all down to the strength of the business. There's a lot of excitement to come from Reuters."

Rosehaugh falls

The property sector continued to weaken under the impact of the £125m rights issue by Rosehaugh. Dealers worried that high interest rates and slower demand would also weaken other highly geared property companies. These concerns were highlighted by the fate of J.M. Jones, the privately-owned construction company, which said on Monday it had called in receivers.

"There is concern that Rosehaugh could be setting the pattern for the year. Buyers are thinking there could be worse news from another major company and prices are being marked down accordingly," one analyst said. The adverse press reaction to the Rosehaugh's rights issue pushed the shares 37 lower to 333p. Several second line property shares came under pressure as a result of the Rosehaugh news, with Peel Holdings down 10 at 218p and Priest Marians off 35 at 188p.

The hostile bid by Chelsfield and P & O for Laing failed to support the market but did underpin the latter's share price. Chelsfield did not appear to have added yesterday and its estimated 22 per cent holding. Laing rose 5 to 658p.

British Land fell 17 to 381p on a sell order said to be of 300,000 shares.

Bank stocks continued to lose ground, still unsettled by worries over the tax treatment of third world debt provisions. Dealers said there had been little in the way of aggressive selling and that share prices merely drifted easier throughout a dull session.

Lloyds lost 5 to 295p but attracted keen support on the way down, with turnover eventually reaching 3.3m shares. Barclays and Midland dipped 11 apiece to 571p and 365p respectively and NatWest settled 10 off at 347p.

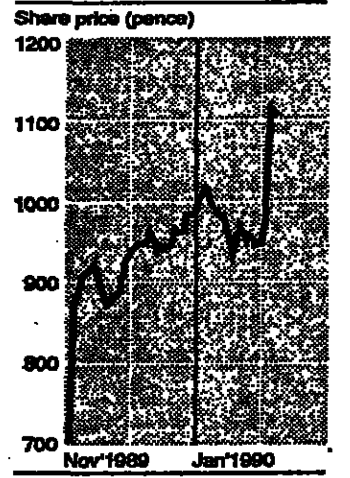
The overall market decline spread through the insurance sectors which were also weakened by another profits downgrading – by Kleinwort Benson – which lowered its estimates after the latest severe weather in the UK. Commercial Union ended the day 7 off at 505p, General Accident 10 down at 1163p, Guardian Royal a similar amount lower at 242p and Royals and Sun Alliance 4 apiece easier at 508p and 313p.

Life stocks gave ground following the 1989 new business figures from the Association of British Insurers showing strong sales of personal pensions but slow sales of endowment plans. Legal & General slipped 4 to 411p and Prudential 3½ to 221p.

The recent good performance of the oil sector, prompted by forecasts of rising crude prices, ran out of steam. BP, scheduled to report fourth-quarter figures on February 15, and Shell, reporting on February 21, were both 3 easier at 344p and 479p respectively. Trade in BP was 6.3m and 1.3m in Shell.

Euro-Disneyland

Share price (pence)



The second appearance of North American buyers triggered another exciting performance from Euro Disneyland shares. The stock followed Monday's 140p leap, misreported here yesterday as a 40p gain, with a further rise to a record 1213p before reacting to close a net 10 down at 1103p. Paris trading was especially heavy - some 5m shares changed hands - with London business again restrained by the reluctance of UK institutions to part with stock. Until Monday, the SEC ninety-day rule on foreign-registered issues prohibited US investors from buying Euro Disneyland shares, floated last October at 707p.

Ultramar fell 10 to 375p on much improved turnover of 2.5m after Warburg Securities reduced its 1989 profits forecast by £10m to £86m and recommended a switch into Burmah. Ultramar are regarded by Warburgs as expensive on fundamentals while Burmah is seen as reliable and cheap. Burmah shares, up 7 on Monday, edged up 2 more to 650p albeit on turnover of 458,000 shares.

Enterprise Oil held up well, closing 2 firmer at 676p on volume of 902,000, sustained by renewed institutional support, but LASMO, awaiting drilling news from the North Sea, drifted back a further 7 to 618p.

Hanson renewed Monday's strength, staying firm at 229½p, aided by optimistic press comment and a strong gold price. Traders attributed its strength to recommendations to US buyers by Prudential-Bache. Volume of 4.6m was not exceptional.

A major casualty was BAT Industries, off 14 at 801p, following press comment sceptical of the chances for the bid for the company being made by Sir James Goldsmith's investment vehicle Hoylake.

Among stores, Sears was unchanged at 100p as 11m shares changed hands. The unusually high turnover was said to be mostly the result of cross trades, although clearance of a large line of stock overhanging the market was also reported.

A downgrading of the food manufacturing sector by Smith New Court kept prices on the defensive. Mr Tim Potter of the securities house said in the first half of this year food manufacturers would face difficult trading conditions.

Mr Potter said some manufacturers would be harder hit than others, including Cadbury Schweppes, Hillsdown, Unigate, and Tate & Lyle. Cadbury closed 10 lower at 343p, Hillsdown was off 3 at 262p, Unigate ended down 8 at 312p, and Tate & Lyle eased 6 to 313p.

Vaux Group were off 3 at 299p, but a meeting for analysts foreshadowed likely downgradings today. Robert Fleming Research said it expected to lower its current year profits forecast from the present £38m.

Shares in Guinness took a tumble, off 11 at 648p. Analysts reported growing sentiment that it was time to take profits after a period of sustained strong performance.

There was heavy trade in United Newspapers, down 6 at 410p. The overhang of 2.5m shares – known in the market and discounted for over a week – was placed at midday. Dealers believed Cazenove made the placing.

Cable & Wireless (C & W) were a resilient market, ending the session only slightly easier at 536p ahead of expected news that CITIC, the Chinese Government's investment arm, has finalised financing details for its purchase of a 20 per cent stake in Hong Kong Telecom, with a 16.5 per cent stake coming from C & W.

Interim profits from Unitech, the electronics components group, came out at £12.2m, compared with £7.8m in the same period last year, and slightly below market expectations. Analysts said the shares looked overvalued on fundamentals and were held up by takeover speculation on stakebuilding by Dr Tito Tettamanti, the Swiss-based arbitrageur, who now speaks for 17 per cent of the shares. Swiss group Elekrowatt has a 29.9 per cent stake in Unitech which closed 11 higher at 382p, having reached 384p.

British Telecom (BT) fell 6 to 303p on 3.8m after dealers and analysts said Cellnet, the cellular radio business 60 per cent owned by BT, was lagging behind Vodafone, controlled by Racal Telecom, in terms of profits and market share. BT reports third quarter figures tomorrow.

A profits downgrading by Smith New Court upset Blue Circle (BCI) shares which dipped 6 to 229p after turnover of 2.9m. Mr Kevin Cammack, Smith New Court building analyst, cut his forecast of 1990 pre-tax profits from the mid-£240m's to £237m for four main reasons.

He said interest charges would be up because of the Myson Group takeover; BCI is experiencing tough conditions in the US; cement earnings in the UK are described as "flat"; and there is increasing pressure on UK sales of the group's housing products, which include bathrooms and heating systems.

Apart from Blue Circle there hints of other profits downgrades and imminent sell notes in the building sector. "It's a struggle to find any good news in the area," said one dealer. RMC suffered in the wake of Blue Circle, retreating 4 to 671p but turnover was a pitiful 148,000 shares.

Costain Group fell sharply late in the session, closing 11 down at 288p on suggestions of a profits downgrading and hints that the sale of a property development in Australia has been delayed.

The weakness spread through the sector. Beazer lost 7 to 154p as specialists noted the withdrawal of the usual US support for the stock. AMEC gave up 12 to 457p. British Steel moved against the trend, closing marginally firmer at 135p after turnover of 4m shares. Mr Harry Philips at Laing & Cruickshank said: "People are beginning to realise the good features of the stock such as the strong balance sheet and the potential for joint ventures."

Lucas continued to suffer from recent downgradings from Cazenove and Kleinwort Benson, the shares giving up 5 more at 612p.

Worries about a downturn in both the UK and US motor sector and talk of impending downgradings weakened GKN. The shares gave up 11 more at 404p. Among those to downgrade recently is Laing & Cruickshank, which cut its 1989 forecast from £218m to £210m, and for 1990 from £233m to £215m. Laing blamed weakness in the US, softness in UK industrial services demand and speculation that Westland, in which it holds a 23 per cent stake, may lose the lead contractor role on the EH 101 helicopter project.

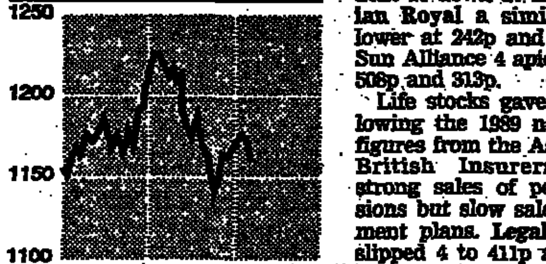
Full year profits below market expectations caused losses in Securicor "A" and in Security Services, which is 51 per cent owned by Securicor. Securicor profits for the year to September were £38.2m while those of Security Services rose 29.4 per cent to £28.2m.

Mr Rob Collins at Kleinwort Benson said the fall was due to "the collapse in profitability of the parcels business which has a lot of exposure to the retail market." Following the release of the figures, Kleinwort cut profits forecasts for both companies for 1990 and 1991. Kleinwort now expects Securicor to make £67.7m in 1990 from the £76.7m previously forecast, and £106.8m in 1991 against £109m. Security Services is expected to make £47.4m (£55.3m) in 1990, and £75.5m (£77m) in 1991.

Securicor management discounted market suggestions that it was about to dispose of its 40 per cent holding in Cellnet, the cellular radio network, although Mr Collins continued to believe that the company "will eventually dispose of the share holding."

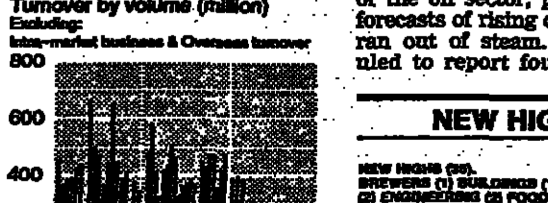
■ Other Market statistics, including the FT-Actuaries share index, London Traded Options, and recent issues (including the water issue stocks) Page 23

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (35).
BREWERS (1) BUILDINGS (1) CHEMICALS (2) ENGINEERING (2) FOODS (1) INDUSTRIALS (3) CRT Group, RCO, Rauma-Repola, INSURANCE (2) LEISURE (2) MOTORS (1) PROPERTY (2) TRUSTS (5) WATER (1) OILS (1) MINES (11).
NEW LOWS (72).
BRITISH FUNDS (2) FOREIGN BONDS (1) AMERICANS (2) CANADIANS (1) BANKS (2) BREWERS (1) BUILDINGS (4) STORES (3) ELECTRICALS (6) ENGINEERING (2) INDUSTRIALS (13) Benson Group, Beaveroo, Chestergate Group, London Int'l, Mayflower, Norcros, Porth Group, Relyon, Rexmore, Spong, Tamaris 8½pc Cm. Pf., Waterman Partnership, Young (H.), LEISURE (2) MOTORS (3) NEWSPAPERS (1) PAPERS (2) PROPERTY (7) SHOES (3) TEXTILES (2) TRANSPORT (1) TRUSTS (7) OILS (3) PLANTATIONS (1) THIRD MARKET (2).

APPOINTMENTS

Courtaulds demerger changes

■ As part of the proposal to demerge Courtaulds Textiles, COURTAULDS is making the following appointments. At Courtaulds Textiles, Mr Derek Lewis, the managing director (and chief executive designate of Granada Group), and Mr Anthony Hitchens, chairman (designate) of Y.J. Lovell, will become non-executive directors.

Mr David Pimlott, secretary of Courtaulds since 1979, is to become secretary of Courtaulds Textiles, with additional responsibility for legal services. He will relinquish the post of secretary of Courtaulds after shareholder approval of the demerger has been obtained. Mr Tony Hartell will become assistant secretary of Courtaulds Textiles.

Mr Martin Taylor, chief executive of Courtaulds Textiles, will leave the board of Courtaulds after the demerger has been approved by the shareholders. Mr Ian Harrison is to become secretary of Courtaulds in addition to his existing responsibilities as group financial controller and Mr David Stevens will become deputy secretary.

The group executive is to be enlarged and, in addition to all the executive directors, will include Mr Ian Harrison, Ms Gill Lewis (director of human resources), Mr Michael Pragnell (managing director of Courtaulds Coatings) and Mr David Wilkinson (director of corporate communications).

■ Mr Ronald Popely has been made chairman of BARBICAN HOLDINGS. He succeeds Mr Alan Milton, who becomes a non-executive director.

■ COUNTRY GARDENS has appointed Mr Graham Thompson as a non-executive director. He was a director of Aspen Communications.

■ Mr John Gandy has been appointed president of Grosvenor Square America, new North American subsidiary of GROSVENOR SQUARE PROPERTIES GROUP, part of Associated British Ports Holdings. He was senior vice president of Speyhawk New York Corp.

■ HARLAND AND WOLFF SHIPBUILDING AND HEAVY INDUSTRIES has appointed Mr William Brown as ship production director. He rejoins the company from Hyster where he was manufacturing director of Hyster Europe.

■ Mr J.C. Miller, Mr P.H. Turner, Mr D.A. Roper and Mr B.J. Walsh have been appointed additional directors of METAL CLOSURES GROUP. Mr R.A. Graves, chairman, and Mr E.A. Hollis and Mr H. Legg, directors, have resigned.

Rank Xerox chairman

■ Mr David A. Thompson has been appointed chairman of RANK XEROX (UK) in succession to Sir Derek Hornby who has retired. Mr Thompson will continue with his duties as an executive director of Rank Xerox Ltd and director of region B, which includes USSR, Eastern Europe, Africa, Iran and India. He was appointed director of the Far East region based in Australia in 1972, became president of Xerox Latin America in 1979 and took up his present regional responsibilities in 1983.
(See also Observer, page 18)

■ Mr Paul B. Ellis, chief operating officer and a director of Caspen Oil, Inc, US, has been appointed a director of the parent UK company CASPEN OIL. Mr Jeffrey H. Aubrey, recently retired as manager, corporate services, Sun Alliance Life, has also joined the Caspen main board and becomes responsible for administration. Mr Jack D. Knox, a director, has resigned from both the parent and subsidiary companies.

■ Mr David Smith has been appointed to the new post of financial chief officer at the MEDICAL DEFENCE UNION, London, which covers 70,000 doctors and dentists in Britain, and 100,000 in Australia, the Far East and Europe. Mr Smith was director of international finance at Thorn EMI.

■ THE INTERNATIONAL TOBACCO GROWERS' ASSOCIATION has appointed Mr David J. Walder as its chief executive. Currently based in Harare, Zimbabwe, the Association is establishing its new headquarters in the UK.

■ MULTI CONSTRUCTION, Stockport, has appointed Mr Andy Campbell as director and general manager for the UK. He was north region director.

■ GLAMAR GROUP has appointed Mr Les George as contract sales director, hosiery division. He was contract director, Bear Brand Hosiery.

■ Mr Christopher Day has been appointed a director of THORNTON INVESTMENT MANAGEMENT, part of the Dresdner Bank Group. He will be based in London with responsibility for Japanese interests. He was a director with Henderson Administration International.

■ ALLIED DUNBAR ASSURANCE, part of BAT Industries, has appointed Mr Kenneth Inglis as investment director from April 9. He joins from UBS Phillips and Drew where he was in charge of economic research and global strategy. He will join the main board of Allied Dunbar, and becomes chief executive of Allied Dunbar Asset management.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
99⅞	98¾	Exch 11pc 1990‡‡	99¼xd	.....	—	—
101⅞	99⅜	Exch. 12½pc 1990	99¾	.....	12.54	14.67
97⅞	91⅞	Treas. 3pc 1990	97⅞	.....	3.07	11.96
98¼	95¼	Treas 8¼pc 1987-90‡‡	98⅛	+⅛	8.41	13.91
98⅞	95¼	Treas. 8pc Cv 1990‡‡	97⅞	.....	8.20	13.87
98¼	96⅞	Treas. 10pc Cv 1990	97⅞	-⅛	12.30	14.33
93⅞	87⅞	Exch 2½pc 1990	93¼	-⅛	2.66	10.80
101⅞	97½	Treas 11¾pc 1991	98⅛	.....	11.98	14.03
93¼	89⅞	Funding 5¾pc '87-91‡‡	93⅛	-⅛	6.17	12.17
90⅞	86⅜	Treas. 3pc 1991	90⅝	-⅛	3.31	11.12
100¾	95¼	Treas 10pc Cv '91‡‡	96⅛	+⅛	10.42	13.18
101¼	95⅞	Exch. 11pc 1991	96½	+⅛	11.40	13.33
94¾	91⅛	Treas. 8pc 1991	91⅞	+⅛	8.72	13.20
106⅞	98⅞	Treas 12¾pc 1992‡‡	99¼	+⅛	12.78	12.89
99½	94⅜	Treas 10pc 1992	94⅞xd	+⅛	10.53	12.90
94⅛	90⅞	Treas. 8pc 1992‡‡	91⅛	+⅛	8.78	12.78
100¼	94⅞	Treas 10½pc Cv 1992‡‡	95⅞	+⅛	10.96	12.67
85⅝	82¼	Treas. 3pc 1992	84¼	-⅛	3.56	10.75
105⅞	98⅛	Exch. 12¼pc '92	99xd	+¼	12.39	12.75
109¾	100⅞	Exch 13½pc 1992	101⅞	+⅛	13.26	12.65
94⅛	88⅞	Treas 8¼pc 1993	89⅝xd	+⅛	9.21	12.47
100⅛	93⅞	Treas 10pc 1993‡‡	94⅞	+⅛	10.62	12.26
108¼	99⅞	Treas 12½pc 1993‡‡	100⅞	+¼	12.41	12.23
88⅛	84⅛	Funding 6pc 1993‡‡	84⅞xd	-⅛	7.07	11.23
113¼	103¼	Treas 13¾pc 1993‡‡	104⅞	+⅛	13.12	12.09
94⅜	87⅞	Treas. 8½pc 1994	88⅞	+⅛	9.56	12.09
117⅞	107⅛	Treas 14½pc 1994‡‡	108⅞	+⅛	13.40	11.89
113⅞	103⅝	Exch 13½pc 1994	104¼	+⅛	12.89	12.02
100¾	92⅞	Treas. 10pc Ln. 1994‡‡	93⅞	+⅛	10.66	11.84
110¼	100⅞	Exch. 12½pc 1994	101⅞xd	+⅛	12.28	11.99
96⅞	89	Treas 9pc 1994‡‡	90⅞	+⅛	9.99	11.25

Five to Fifteen Years

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

1989/90 High	1989/90 Low	Stock (b)	Price £	+ or -	Yield (1)	Yield (2)
112¾	103⅛	Tr. 2pc '92‡‡(97.8)	111¾	+⅛	3.55	4.78
105⅞	94⅞	Do. 2 '94 (102.9)	104¾	+⅛	3.17	3.77
156⅛	139½	Do. 2pc '96(67.9)	154½	+⅛	3.20	3.60
131⅝	118⅞	Do 2½pc '01(78.3)	128⅞	+⅛	3.65	3.91
128⅝	115⅝	Do. 2½pc '03(78.8)	125	+⅛	3.73	3.96
131⅞	117⅞	Do. 2pc '06(69.5)	128⅛	+⅛	3.73	3.92
123⅞	110⅛	Do. 2½pc '09(78.8)	119¾	+⅛	3.73	3.90
128⅞	114⅞	Do. 2½pc '11(74.6)	124⅞xd	+⅛	3.70	3.86
107⅛	95¼	Do. 2½pc '13(89.2)	103⅛xd	+⅛	3.68	3.83
115¼	101¼	Do. 2½pc '16(81.6)	111⅝xd	+⅛	3.63	3.77
119½	100⅞	Do. 2½pc '20(83.0)	108¼	+⅛	3.60	3.73
95⅛	84⅞	Do. 2½pc '24‡‡(97.7)	91¾	+⅛	3.54	3.66

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1989: 115.0 and for December 1989: 118.8.

INT. BANK AND O'SEAS

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
108⅞	94⅞	African Dv Bk 11¼ Ln 2010	94⅞	+⅛	11.74	11.81
104⅞	90⅞	Asian Dev Bk 10¼pc Ln 2009	90⅞	+⅛	11.27	11.42
110⅞	94⅞	Euro Inv Bk 11pc Ln 2002	94⅞	+⅛	11.63	11.82
119⅞	104	Int-Am Dev Bk 12½pc 2003	104⅛	+⅛	11.98	11.83
99¾	85⅞	Do. 9¾pc Ln 2015	85⅞	+⅛	11.35	11.47
97½	87	Mlysia 10¾pc Ln 2009	87⅛	+¼	12.32	12.51
120	110	Utd. Mexican States 16½pc 2008	110	.....	11.00	14.90

CORPORATION LOANS

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Div %	Yield Gross
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
12	868p	♦Bio-Rad Labs. A	975p	+51	—	—	—
20¼	13¼	Bowater Inc.	14½	.....	$1.20	—	5.0
12⅞	7⅞	Brunswick 75c	7⅞xd	-⅛	44c	—	3.6
46⅝	28⅝	CPC Intnl. 25c	38⅞	+⅛	$1.80	—	2.8
863p	333p	California Engy.	825p	+93	—	—	—
36⅞	17¼	Campbell Soup 15c	28⅝xd	+⅛	$1.00	—	2.1
28⅝	15⅛	Chase Manhattan $12½	17⅞xd	-⅛	$2.36	—	8.0
26¼	15	Chem. Banking Corpn.	15¼	.....	$2.72	—	10.6
17½	9⅝	Chrysler $6¼	9⅝xd	-⅛	$1.20	—	7.7
22⅞	13⅞	Citicorp $1	14xd	-⅛	$1.62	—	7.0
41⅛	25¼	Colgate-Palmolive $1	33⅞xd	+⅛	s$1.48	—	2.7
17¼	958p	Cont'l Bank Corp $4	10	+⅛	$1.00	—	6.0
378p	186p	♦Corporate Data Sce	250pxd	.....	—	—	—
27⅛	18⅞	Dana Corp. $1	18⅝xd	.....	$1.60	—	5.2
12	544p	Data General	544p	-10	—	—	—
38⅝	25⅛	Dun & Bradstreet $1	26	-⅛	$2.00	—	4.6
43¼	24½	Eaton Corpn. 50c	30½xd	-⅛	h$2.00	—	4.0
11⅝	8⅛	Echlin Inc	8⅛	-⅛	70c	—	5.2
22¼	16⅞	FPL Group 1c	19⅛xd	-⅛	$2.28	—	6.9
24⅛	13⅛	Fluor Corp 62½pc	24⅛	-⅛	24c	—	0.6
35⅛	25	Ford Motor $1	25⅛xd	+⅛	$3.00	—	7.0
41⅝	24¼	Gen. Elect. 63c	36⅛	-⅛	$1.88	—	3.1
579p	304p	♦General Host Corp $1	322p	-3	30c	—	5.6
39⅛	18⅛	Gillette $1	27⅛	.....	96c	—	2.1
987p	327p	Gt American Bank Bk $1	361p	-4	20c	—	3.4
23⅞	16⅛	Greyhound $1½	17⅛	.....	$1.32	—	4.5
15⅛	847p	Hasbro Inc 50c	10⅛	-⅛	16c	—	0.9
57½	32⅞	Honeywell $1½	48⅛	-½	$2.75	—	3.4
22⅝	15¼	Houston Inds.	20	.....	$2.96	—	8.9
76⅞	57⅞	IBM Corpn $1¼	58½xd	+1⅛	$4.84	—	5.0
60p	45p	♦Image Storage/R.Sys.1c	45p	.....	—	—	—
32⅞	18⅞	Ingersoll-Rand $2	29⅞xd	-⅛	$1.20	—	2.5
33⅛	21½	Lockheed Crpn. $1	22⅛xd	-⅛	$1.80	—	4.8
22⅝	7⅛	Lone Star Inds $1	7⅞xd	-¼	$1.90	—	14.4
28	17½	Louisiana Land 15c	25¼	-⅛	$1.00	—	2.4
20½	11½	Lowe's 50c	16	-⅛	52c	—	2.0
28⅞	15⅞	Manuf. Hanover $1	17⅞	+⅛	$3.28	—	11.1
22⅝	13⅛	Merrill Lynch $1	13⅛	.....	$1.00	—	4.6
24⅛	19¼	Molex Inc	23½	+1¼	3.2c	—	0.1
30⅛	18⅛	Morgan (JP) $2½	20⅛xd	-⅛	$1.82	—	5.3
28⅞	22	Morris (Philip)	22⅝xd	+⅛	$1.13	—	3.0
56⅞	36⅛	NYNEX $1	47⅞	-⅛	$4.36	—	5.5
44p	11p	♦N'wide Legal Serv.	15p	-2	—	—	—
24⅞	18⅛	PHH Corp.	19⅞	-⅛	$1.16	—	3.5
259p	166p	♦Pacific Agr.	166p	.....	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	278	–5	44c	1.4	7.1	9.9
191	134	Abbey National 10p	187	–3	17.7	2.7	5.5	7.6
*282	120½	Allied Irish Ord	258	–2	‡Q68%	3.3	3.1	13.3
£13½	£11¼	Algemene Fl.10	£12½	–⅛	Q28%	2.0	7.3	6.8
*80	61	Anglo Irish	75	+2	Q18.7%	2.7	5.9	10.2
81	57	Ansbacher (H.) 1p	75	......	2.0	–	3.6	–
£72¼	£38¼	Bancaire Cie Fr100	£60¾	–⅜	Q12¼%	–	2.2	–
£46¾	£35¾	Banco Bilbao Viz	£40¼	+⅝	Q35.7%	2.0	3.4	14.7
£33	£26¾	Banco de Santander	£27¾	......	Q21%	◆	3.0	◆
*286	169	Bank Ireland Ir£1	260	–4	‡Q12.9%	3.2	4.3	9.2
£19½	£17½	Bank Leumi	£19½	......	–	–	–	–
350	345	Bank Leumi (U.K.)	345	......	†13.5	–	5.2	–
125	88	Bank Scotland	118	......	†3.8	3.6	4.3	8.5
111¼	95½	Do. 9¼pc Irrd Pf	97	+½	9¼%	–	12.7	–
*67	49	Bank of Wales	54	......	2.8	1.6	6.9	11.3
*588	404	Barclays £1	571	–11	†23.0	3.5	5.4	6.5
31	19	Benchmark 20p	28	......	1.63	1.0	10.8	11.5
363	285	Brown Shipley £1	315	–4	†10.5	–	4.4	–
455	325	Cater Allen £1	413	–1	23.5	–	7.6	–
259	157	Chancery	175	+1	†8.0	2.8	6.1	7.7
£23¼	£14½	Commerzbk DM10	£23¼	......	Q18%	–	2.8	–
*£29	£22¾	C'hgn.Hbk.Kr100	£26¼	+⅜	gQ15%	–	5.2	–
£16¾	£10¾	Dai Ichi KBk Y50	£12⅞	......	†Q16%	8.8	0.3	41.2
*£314¼	£156¼	Deutsche Bk DM50	£307¼	+1½	Q24%	–	1.4	–
£22¼	£17¾	Espirito Santo	£19½	–⅛	Q75c	3.3	2.3	13.3
260	182	First Nat. Fin. 10p	222	–4	13.0	◆	7.8	◆
134	90	FNFC 6.3pc Cv. Pf	114	–1	6.3%	–	7.4	–
£16⅝	£13⅞	Fuji Bank Y50	£14⅛	......	Q15.6%	4.2	0.2	–
325	230	Gerrard & National	281	......	18.5	–	8.8	–
154	118	Guinness Mahon 10p	154	......	◆2.1	–	1.8	–
303	197	Hambros 20p	303	+3	†10.0	–	4.4	–
121	90	Do 7.5pc Cv Pf	119	–2	7½%	–	8.4	–
60	39	HK & Shang. HK$2.50	56	......	HQ36c	–	4.9	–
495	423	Joseph (Leo) £1	478	......	15.85	–	4.4	–
145	115	King & Shaxson 20p	145	......	9.25	–	8.5	–
422	277	Kleinwort Benson Grp	418	–1	14.0	–	4.5	–

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

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MOTORS, AIRCRAFT TRADES

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£17¼	£11¼	DAF N.V. Fl1.5	£11¼	–⅛	H02.5	1.8	6.3	8.8
162	113	General Mtrs Units	123	.....	[illegible]	–	6.1	–
906	264	Jaguar	849	.....	[illegible]	0.5	1.7	–
*61¼	27	March Group 5p	41	+1	[illegible]	–	[illegible]	–
£207	£94½	Volkswagen DM50	£207	+3½	Q20%	2.8	1.4	22.0
£51	£33½	Volvo Kr25	£41¼	.....	Q56%	3.1	3.2	10.5

Commercial Vehicles

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*505	220	ERF (Hldgs)	231	–2	15.0	3.7	8.7	4.1
*245	166	Plaxton Grp	171	+1	H8.5	2.1	6.6	17.4

Components

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
435	379	Abbey Panels	428	.....	3.5	10.8	1.1	11.2
298	185	Airflow Streamlines	225	.....	6.8	4.2	3.6	9.0
		For BTS see Industrials						
208	143	Bostrom 5p	185	.....	15.1	10.6	3.7	8.9
299	214	Dowty 50p	220	–1	18.0	2.3	4.8	11.5
261	180	FR Group	188	–6	15.54	3.7	4.1	8.8
*174	100	Kwik-Fit Hldgs. 10p	107	–2	2.4	2.8	3.0	15.9
*725	509	Lucas Inds. £1	612	–5	25.0	2.9	5.4	7.2
*62	14	Spice 5p	14	.....	[illegible]	0.4	[illegible]	–

Garages and Distributors

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
48	26	Alexanders 10p	27	.....	1.0	3.1	4.9	8.5
184½	104	Appleyard 10p	125	.....	6.8	3.1	7.2	5.5

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

WATER

For other Water Issues see London Recent Issues

OIL AND GAS

OIL AND GAS—Contd

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
38¼	16¼	Monument Oil 5p	38¼	–½	–	–	–	30.7
30	15	New London 5p	18½	–½	–	–	–	–
36½	24½	NZ Oil & Gas NZ$0.50	27	.....	–	–	–	–
*£17½	£10	Norsk Hydro Kr20	£17⅛	–⅛	Q18¼%	4.0	2.0	12.7
30	19	North Sea Assets 5p	24	.....	–	–	–	–
£19¼	£13¼	Occidental Pet. 20c	£15½	–¼	Q$2.50	–	9.0	–
33	17	Ohio Res.	27	–1	–	–	–	–

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
90	90	Tanjong 15p	90	.....	–	–	–

Miscellaneous

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
247	69	Anglesey Mining 9p	155	.....	–	–	–
166	18	Do. Warrants	95	.....	–	–	–

THIRD MARKET

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
46½	23	Whitegate Leisure 20p	40	.....	0.25	♦	0.8	♦
32½	10	Do. Wrrnts	26	.....	–	–	–	–
10¼	4¼	Wilton Group 1p	4½	.....	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but *including estimated extent of offsettable ACT. Yields are based on* middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially listed.
‡ Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
‡ Not comparable
♦ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H *Dividend and yield based on prospectus or other official estimates* for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p	83	–2
Craig & Rose £1	630	.....
Finlay Pkg. 5p	58	.....
Holt (Jos) 25p	1348	.....

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991	£96⅞	.....
9pc Cap Ln. 1996	£95	.....
Fin. 13% 97/02	£113	–½
Arnotts	405	.....
Carrol (P.J.)	160	.....
Hall (R. & H.)	190	.....
Heiton Hldgs	103	.....
IRG	205	+5
United Drug	166	+4

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5½
BAT	67
BOC Grp	44
BTR	37
Barclays	48
Blue Circle	28
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	98
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Stock	p
Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Stock	p
Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	18½
Shell	37
Toskar Res	12
Ultramar	28½

Mines

Stock	p
Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	48.90	48.90xd	52.30	+0.26	5.24
Gilts & Fixed Int	6	105.9	105.9	112.3	+0.4	9.80
High Inc Equity	6	137.2	137.2xd	146.8	-0.5	4.33
Worldwide Bond	6	195.3	195.3xd	206.9	-0.7	6.23
Capital Growth						
American Growth	6	177.8	177.8xd	190.2	-0.4	1.15
Asian Pacific	6	125.9	128.5	136.8	+1.2	0.95
Assets & Earnings	6	158.5	158.5	169.6	-0.2	2.18
Capital Reserve Acc	0	88.72	88.72	88.84	-0.07	6.75
Capital Reserve Inc	0	78.72	78.72	78.83	-0.06	7.41
Comdty & Energy	6	117.9	117.9	126.1	+0.8	1.51
Dividend & Growth	6	46.70	47.64	50.69	---	4.44
1992 Enterprise	6	62.59	62.59	66.95	+0.12	2.48
Euro Capital Acc	6	102.3	103.1	109.7	+1.2	0.68
Euro Capital Inc	6	98.59	99.35	105.7	+1.2	0.71
General	6	178.3	178.3xd	190.7	-0.2	2.62
International	6	62.35	63.15xd	67.19	+0.27	0.74
Japan	6	115.8	115.8	123.9	---	0.00
Mastertrust	6	90.92	90.92	97.25	+0.23	1.75
UK Growth Acc	6	182.7	182.7	195.5	-0.2	1.63
UK Growth Dist	6	120.8	120.8	129.2	-0.3	2.46
US Emerging Cos	6	49.74	49.74	53.20	+0.04	0.00
Income & Growth	6	305.3	305.3	326.6	-0.3	3.14
Ethical	6	48.41	49.65	52.82	-0.09	1.89

PK English Trust (Inv Man) Ltd (1000)F
12 Carthusian St, London EC1M 6EB 01-796 1200

American*	4	58.56	58.97	61.57	---	0.0
Far Eastern*	4	182.96	187.23	194.72	---	0.1
Growth†	4	189.98	192.38	203.97	---	3.2
Income†	4	144.35	146.15	155.48	---	5.2
Scandinavian†	4	74.19	74.29	77.16	---	0.3

† Dealing Day: Wed. *Dealing day: Thurs.

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ψ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF. 01-493 7262						
Dealing 01-493 8545						
American Opps	5	46.44	47.49	50.65	-0.01	1.06
(Accum Units)	5	47.79	48.87	52.12	-0.01	1.06
European Opps	5	72.10	72.45	77.27	+1.01	0.00
(Accum Units)	5	72.57	72.85	77.69	+1.01	0.00
Far Eastern Opps	5	137.05	137.16	146.30	-1.03	0.00
(Accum Units)	5	137.92	138.04	147.23	-1.04	0.00
Gold Opps	5	47.79	47.99xd	51.19	+1.00	0.00
(Accum Units)	5	49.07	49.36xd	52.64	+1.31	0.00
Intl Hi-Yield	5	57.66	57.99xd	61.85	-0.05	6.44
(Accum Units)	5	62.60	62.96xd	67.14	-0.05	6.44
Sanyo Japan Tst	5	73.10	73.10	77.96	-0.30	0.00
(Accum Units)	5	73.10	73.10	77.96	-0.30	0.00
Kangaroo	5	33.43	33.43	35.65	+0.19	1.47
(Accum Units)	5	33.62	33.62	35.85	+0.18	1.47
Oriental Income	5	34.10	34.17	36.43	-0.05	5.16
(Accum Units)	5	38.25	38.36	40.84	-0.09	5.16
Pacific Technology	5	57.67	57.67	61.51		0.00
(Accum Units)	5	58.14	58.14	62.00	-0.01	0.00
Tiger	5	146.44	146.84	156.62	-0.58	0.72
(Accum Units)	5	148.73	149.13	159.06	-0.52	0.72
UK Hi-Yield	5	43.39	43.39	46.27	+0.16	4.93
(Accum Units)	5	49.61	49.61	52.91	+0.17	4.93
UK Opps	5	34.49	36.78	39.45	+1.25	1.60
(Accum Units)	5	39.30	40.49	44.69	-1.56	1.60
Three Counties Asset Mngmt Ltd (1430)F						
Cuthbert House, Tower Rd, Washington NE37 2SH 091 415 3034						
Balanced Portfolio	6	94.261	94.261	100.230	+0.07	4.00
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4 01-248 1250						
4 Hourly Pricing—12 Noon Historic						
TR American Gwth	5¼	43.81	43.81	46.73	+0.14	0
TR Eur Sp Sits Acc	5¼	41.96	41.96	44.69	+0.06	0
TR Eur Sp Sits Inc	5¼	41.15	41.15	43.83	-0.07	0
TR General Growth	5¼	75.35	75.35xd	80.15	-0.74	2.77
TR Global Tech	5¼	66.04	66.04	71.42	+0.12	0

	Bid Price	Offer Price	+ or -	Yield Gr's
J. Rothschild Fund Managers Ltd				
(a) Exempt	145.3	147.01		
Stewart Ivory & Co Ltd				
Saints PPP Jan 22	264.6	278.6		
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Feb 1	102.42	108.42		
(Accum Units)	103.04	109.08		
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1097	1111		
TR Exempt Nth Amer	822	846		
TR Exempt Pac Basin	991	1004		

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gr's
AA Friendly Society				
Gartmore Mngt M & G for Mngt Ltd				
AA Friendly Sy Jan 12		277.8		
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop Ser. 1	301.4	317.3		
Equity Ser. 1	134.6	141.7	-0.2	
Prop. Acc. Ser 2	464.7	489.2		

OTHER UK UNIT TRUSTS

Continued on next page

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National Financial Management Corp PLC
72 Galehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Managed Cautionary	105.8	111.4	−0.1	−
Managed Growth	141.7	149.2	+0.2	−
Managed Opportunity	145.7	153.4	+0.2	−
NFMC Target Financial	104.5	110.4	−0.4	−
Pension Funds				
Managed Cautionary	110.5	116.4	----	−
Managed Growth	146.3	154.0	+0.2	−
Managed Opportunity	149.1	157.0	+0.3	−
NFMC Target Mngd Pen	1552.6	1634.4	−0.5	−

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	226.6	238.6	----	−
Managed Prospect Fund	190.1	200.2	----	−
Pens Managed	286.1	301.2	----	−
Pens UK Equity	345.9	364.2	----	−
Pens Overseas Equity	365.6	384.9	----	−
Pens Property	173.7	182.9	----	−
Pens Fixed Interest	177.6	187.0	----	−
Pens Index Linked	147.5	155.3	----	−
Pens Deposit	188.2	198.2	----	−
Harvester & P.R.P.				
UK Equity	151.1	159.1	----	−
Overseas Equity	130.8	137.7	----	−
Fixed Interest	121.4	127.8	----	−
Property	144.5	152.2	----	−
Index Linked	133.9	141.0	----	−
Deposit	130.5	137.4	----	−
Managed	144.1	151.7	----	−
With Profits	134.1	141.2	----	−

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	345.6	363.8	−0.4	−
UK Equity	446.2	469.7	−1.9	−
Overseas Eq	353.8	372.5	+1.6	−
American	251.3	264.6	−0.5	−
Far East	405.4	426.8	+1.2	−
Property	220.5	232.2	----	−
Fixed Int	219.3	230.9	+0.1	−
Indexed Gilt	138.7	146.1	−0.2	−
Deposit	159.0	167.4	----	−
Pension Fund (Accum Units)				
Managed	465.6	490.2	−0.5	−
UK Equity	554.0	583.2	−2.1	−
Overseas Eq	570.8	600.9	+2.1	−
American	331.9	349.4	−0.8	−
Far East	675.2	710.8	+2.3	−
Property	271.1	285.4	----	−
Fixed Int	262.9	276.8	----	−
Indexed Gilt	152.2	160.3	−0.2	−
Deposit	212.8	224.1	+0.1	−
NPI Pensions Management Ltd				
Managed Fund	1096.4	1116.0	----	−

Prices February 1 Next dealing March 1

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or −	Yield Gross
NUAM Funds				
Managed Fund	66.0	69.5	----	−
Stock Market Mngd Fund	64.8	68.2	−0.1	−
Equity Fund	69.2	72.8	−0.2	−
International Fund	61.8	65.0	+0.1	−
European Fund	71.8	75.5	+0.3	−
North American Fund	55.7	58.7	−0.3	−
Pacific Fund	70.4	74.1	----	−
Property Fund	85.7	90.3	----	−
Fixed Interest Fund	51.6	54.3	----	−
Index linked Sec Fund	57.4	60.5	−0.1	−
Deposit Fund	60.8	64.0	----	−
NUAM Retirement Plans				

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	Init Chrge	Curr. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gartmore Luxembourg SA						
23 Rue des Bruyeres L-1274 Howald Lux010 352 491841						
Gartmore Positions Fund						
Nth Amer Equity		$-		1.98	+0.01	-
British Equity		£-		1.01		-
Nordic Equity		SKr-		10.87	+0.22	-
Cont'l European Equity		DM-		17.17	+0.11	-
Japan Equity		Y-		542.00	+4.00	-
Pacific Equity		Y-		370.00	-2.00	-
Developing Mkts		$-		1.02		-
Natural Resources		$-		2.07		-
W'wide Recovery		$-		1.60	+0.01	-
Intl Equity		$-		1.37	+0.02	-
Dollar Bond		$-		1.96		-
Sterling Bond		£-		1.00		-
European Currency Bond		Ecu-		1.48	+0.01	7.33
Intl Conv Bond		$-		2.09	+0.01	-
Dollar Reserve		$-		2.02		-
Sterling Reserve		£-		1.04		-
Deutschmark Reserve		DM-		5.04		-
Yen Reserve		Y-		504.00		-
Henderson Management SA						
21-25 Allee Scheffer L-2520 Luxembourg 01-638 5757 or 010-352 462292						
Henderson Horizon Fund						
Japanese Portfolio		$-	15.53	16.40	+0.18	-
Japan Smlr Cos P'flio		$-	22.58	23.85	+0.25	-
Pacific Portfolio		$-	12.39	13.10	+0.11	-
Nth American P'flio		$-	4.58	4.85	+0.03	-
European Portfolio		$-	9.01	9.52	+0.12	-
UK Portfolio		$-	6.21	6.58	+0.02	-
Global Portfolio		$-	10.07	10.65	+0.1	-
Fixed Int Portfolio		£-	9.16	9.62	+0.01	-
Dollar Liquidity P'flio		$-	0.8505	0.8527		-
Stg Liquidity P'flio		£-	1.1655	1.1665		-
Hill Samuel Investment Services Intl SA						
Marktgasse 63/65, 3001 Berne, Switzerland 224051						
Hill Samuel Global Portfolio						
Global Equity				59.46		-
Global Bond				59.36		-
Global Managed				59.40		-
Sterling Fixed Int				£9.46		-
European Fixed Int				DM9.19		-

	Bid Price	Offer Price	+ or -	Yield Gross
NM Financial Mgmt Intl Ltd				
Mngd. Currency	£6.526	6.857	-0.002	6.07
NM Portfolio Selection Fund Ltd				
Conscience	£1.072	1.140	-0.004	1.33
Far East Grth	$1.410	1.500	-0.006	0.00
Smaller Co's	£0.989	1.051	-0.001	1.12
Special Sits	£1.003	1.067	-0.004	0.75
Intl Bond	$0.909	0.967	+0.005	9.50
American Fund	$1.899	2.020	+0.012	2.31
American Smaller Co's	$1.151	1.224	+0.011	0.00
Australian Fund	£1.646	1.751	-0.014	1.74
British Fund	£1.554	1.653	-0.008	5.29
European Fund	£2.249	2.392	+0.014	0.87
Gold Fund	£0.825	0.877	+0.017	0.09
Hong Kong Fund	£1.504	1.600	+0.017	5.58
International Fund	£1.450	1.542	-0.001	0.33
Japanese Fund	£3.143	3.343	+0.009	0.00
Japan Smaller Cos	£5.286	5.623	+0.016	0.00
Singapore & Malaysian	£1.354	1.443	+0.002	0.00
Dollar Fixed Interest	$0.990	1.053	-0.001	6.93
Sterling Fixed Int	£0.899	0.956		11.53
Deutschmark Currency		DM5.026		2.36
Dollar Currency		$1.003		4.91
Sterling Currency		£1.028		10.48
Yen Currency		Y200.6		1.40
Managed Currency	£0.989	1.052		6.94
Nikko Capital Mgmt (Europe) Ltd				
Japan Index Fund	Y4,167	4,209		-
New Generation Fd. $	$23.48	23.71		-
Japan Index Alpha	Y12,663	12,856		-
Jap Sector Rotation	Y10,590	10,758		-
Strongbold Asset Mgmt (Guernsey) Ltd				
Tech and Comms	£11.35	12.04		-
Pacific Basin Fd.	$116.63	123.67		-
Western European	£19.32	20.50		-
Tyndall International (Guernsey) Ltd				
Global Defender	$1.25	1.33	+0.01	-
Hi Yield Bond	62.9	66.2	+0.1	15.11
Internat. Spec. Sits.	53.4	56.1	+0.4	-
Marcomachi Fd	90.1	94.7	+0.3	-
U.S. Treasury Securities Fund Ltd				

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

DUBLIN (**)

OFFSHORE INSURANCES

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Nomura Asia Europe Fund				
NAV Feb 6		$11.42	+0.11	-
Nomura Dragon Global Fund				
NAV Feb 6		$10.95	+0.04	-
Nomura Growth Fund SA				
NAV Feb 6		Y18,111		-
Nomura Prudential Fd Pt II				
NAV Feb 6		$15.36	+0.03	-
Nomura Prudential Global Portfolio				
NAV Feb 6		$15.20	+0.17	-

	Bid Price	Offer Price	+ or -	Yield Gross
Transworld Bond Trust				
NAV Feb 6		$11.15	+0.03	-
Tyndall International (Bermuda) Ltd				
American Special Sits.	$32.96	49.12	+0.35	-
Capital Protection	$10.20	10.72		-
Commodity Feb 6	$27.00	28.36		-
Eurobond	$29.21	30.69	+0.16	-
Money Feb 5	$34.01	35.72	+0.01	6.87
Mortgage Feb 6	C$13.72	14.41		-
North American	$36.45	38.28	+0.25	-
Overseas	$30.31	31.84	+0.62	-
Pacific Gold	$5.70	6.00	-0.22	-

Money Market Trust Funds

Money Market Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Ideas on unity boost D-Mark

SENTIMENT continued to underpin the D-Mark on the foreign exchanges yesterday as political events in eastern Europe and the Soviet Union dominated the market. The move towards democracy, as outlined by Soviet President Mikhail Gorbachev, helped keep the D-Mark firm, because of West Germany's central position in Europe and its potential to benefit economically from the opening up of the Communist block.

Monetary union between the two Germanys is also becoming an important area of discussion, with implications for interest rates and currency values throughout the main trading nations of the world. It is feared that West Germany will import inflation from the east, putting upward pressure on interest rates in general.

Mr Helmut Kohl, the West German Chancellor, and Mr Karl Otto Pöhl, President of the Bundesbank, appeared to be at odds on the subject yesterday. Mr Kohl said he favoured immediate talks with East Germany on setting up a currency union, but Mr Pöhl, speaking in East Berlin, suggested it is too early to consider such a far reaching step at this stage.

The idea of monetary union, and the possibility of increased borrowing by Bonn to subsidise the economy in East Germany, had a depressing impact on the bond market. West German government bond futures weakening sharply in active trading on Liffe in London. On the other hand the rise in yields to 5½-year highs on the Frankfurt cash market appeared to add to the attraction of the D-Mark.

Speculation that inflationary pressure from East Germany could result in higher Frankfurt interest rates pushed the D-Mark up against its partners in the European Monetary System. It was reported that the Bank of France checked the franc's value in the market - but no intervention was seen - as the D-Mark rose to FFr3.4042 from DM3.3982 at the London close. The Italian lira remained the strongest EMS currency, but came back within its cross rates limits against the weaker members, as the D-Mark returned to favour. At the finish in London the German unit had climbed to L744.80 from L742.51.

Trading in the dollar was nervous as the market awaited the result of the first leg of the US Treasury's quarterly *refunding package*, and particularly the level of Japanese participation.

At the London close the dollar had fallen to DM1.6575 from DM1.6700; to Y145.10 from Y145.35; to SFr1.4770 from SFr1.4800; and to FFr5.6425 from FFr5.6750. The dollar's index *fell* to 66.6 from *66.9*.

Sterling showed mixed changes. The pound gained ¾ cent to $1.7025. It also rose to SFr2.5150 from SFr2.5075 and to Y247.00 from Y246.25, but was weaker against EMS currencies, falling to DM2.8225 from DM2.8300 and to FFr9.6075 from FFr9.6200. Sterling's index eased 0.1 to 89.3.

£ IN NEW YORK

Feb.6	Latest	Previous Close
£ Spot	1.7035-1.7045	1.6995-1.7005
1 month	0.85-0.84pm	0.87-0.86pm
3 months	2.61-2.58pm	2.71-2.69pm
12 months	9.10-9.00pm	9.30-9.20pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

§ Sterling quoted in terms of SDR and ECU per £. † European Commission Calculation. * All SDR rates are for Feb.5

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

Feb.6	£	$
Korea(Sth)	1159.10-1177.80	685.30-690.70
Kuwait	0.4935-0.4950	0.2905-0.2910
Luxembourg	59.10-59.20	34.70-34.80
Malaysia	4.5920-4.6040	2.6990-2.7010
Mexico	4643.70-4653.30	2725.00-2730.00
N Zealand	2.8300-2.8360	1.6610-1.6640
Saudi Ar.	6.3705-6.3760	3.7500-3.7510
Singapore	3.1575-3.1650	1.8550-1.8570
S. Af (Cm)	4.2980-4.3095	2.5290-2.5300
S Af (Fn)	5.4075-5.4955	3.1745-3.2260
Taiwan	44.35-44.45	26.05-26.10
U.A.E.	6.2380-6.2435	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Feb 6	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15-14 13/16	15 1/16-14 13/16	15 1/4-15 1/8	15 1/8-15 1/16	15 1/4-15 1/8	15 1/8-15 1/8
US Dollar	8 3/8-8 1/8	8 1/4-8 1/8	8 3/8-8 1/4	8 3/8-8 1/4	8 3/8-8 3/8	8 5/8-8 3/8
Can. Dollar	12 1/2-12 1/4	12 5/8-12 1/2	12 1/2-12 1/4	12 1/2-12 1/4	12 1/8-11 13/16	11 3/4-11 1/2
D. Guilder	8 1/2-8	8 1/2-8 1/4	8 3/4-8 1/2	8 3/4-8 5/8	8 13/16-8 11/16	8 3/4-8 1/4
Sw. Franc	9 1/4-9	9 3/8-9 1/4	9 3/4-9 1/2	9 13/16-9 1/2	9 13/16-9 5/8	9 1/2-9 1/4
Deutschmark	8-7 3/4	8-7 3/4	8 1/4-8	8 3/8-8 1/4	8 1/2-8 3/8	8 13/16-8 5/8
Fr. Franc	10 1/4-10 1/8	10 1/2-10 1/4	10 13/16-10 5/8	10 13/16-10 11/16	11 1/8-10 15/16	11 3/8-11 1/8
Italian Lira	13-11	13 1/4-12 3/4	13 1/4-12 3/4	13 1/4-12 3/4	13 1/4-12 3/4	13 1/2-13 1/4
B. Fr. (Fin)	10 1/4-10 1/4	10 1/2-10 1/4	10 1/2-10 1/4	10 5/8-10 1/2	10 13/16-10 5/8	10 7/8-10 5/8
B. Fr. (Con)	10 1/2-10	10 1/2-10 1/4	10 5/8-10 1/4	10 5/8-10 1/4	10 3/4-10 1/2	10 7/8-10 5/8
Yen	6 1/2-6 1/4	6 5/8-6 1/4	6 13/16-6 5/8	7 1/8-6 13/16	7 3/8-7 1/4	7 5/8-7 3/8
D.Krone	12-11 1/2	12 1/4-12	12 1/2-12 1/4	12 1/2-12 1/4	12 5/8-12 1/8	12-11 3/4
Asian $Sing	8 1/4-8 1/8	8 3/8-8 1/4	8 3/8-8 1/4	8 3/8-8 1/4	8 1/2-8 3/8	8 13/16-8 5/8

Long term Eurodollars: two years 8 13/16-8 11/16 per cent; three years 9 1/16-8 15/16 per cent; four years 9 1/4-9 per cent; five years 9 5/16-9 1/16 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Feb.6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6975-1.7065	1.7020-1.7030	0.88-0.86cpm	6.13	2.71-2.68pm	6.33
Canada	2.0145-2.0280	2.0180-2.0190	0.42-0.34cpm	2.26	1.28-1.12pm	2.38

[illegible]

Commercial rates taken towards the end of London trading. Belgian rate is for convertible francs. Financial franc 59.10-59.20

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 34.60-34.70.

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Feb.6	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	[illegible]	87.50	3.403	0.891	1.128	744.6	0.715	20.95
YEN	4.049	6.895	11.43	1000.	38.90	10.18	12.89	8510	8.174	239.5
F Fr.	1.041	1.772	2.938	257.1	10.	2.618	3.313	2188	2.101	61.56
S Fr.	0.398	0.677	1.122	98.21	3.820	1	1.266	835.8	0.803	23.52
H Fl.	0.314	0.535	0.887	77.60	3.019	0.790	1	660.4	0.634	18.58
Lira	0.476	0.810	1.343	117.5	4.571	1.196	1.514	1000.	0.961	28.14
C $	0.495	0.843	1.398	122.3	4.759	1.246	1.577	1041	1	29.30
B Fr.	1.691	2.879	4.773	417.6	16.24	4.252	5.381	3554	3.413	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE BUND FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

U.S. TREASURY BONDS (CBT) 8%

[illegible]

JAPANESE YEN (IMM)

[illegible]

DEUTSCHE MARK (IMM)

[illegible]

U.S. TREASURY BILLS (IMM)

[illegible]

THREE-MONTH EURODOLLAR (IMM)

[illegible]

SWISS FRANC (IMM)

[illegible]

STANDARD & POORS 500 INDEX

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

[illegible]

THREE-MONTH PIBOR FUTURES (MATIF)

[illegible]

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int
February	1925.0	1908.0	-0.12	1926.0	1906.0	5,226
March	1920.5	1910.0	-0.12	1920.5	1908.0	743
April	1925.0	1917.0	-0.09	1925.0	1917.0	100
June	-	-	-	-	-	17

Estimated volume 4,671 Total Open Interest 6,086

Estimated volume 4115 (2461)
Previous day's open int. 21871 (21929)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7025	1.6938	1.6756	1.6505	1.6090

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.6894	1.6928	1.6894	1.6870
Jun	1.6654	1.6674	1.6640	1.6614
Sep	1.6430	1.6430	1.6430	1.6376

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Mydredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15½	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. N. East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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MONEY MARKETS

Credit stays tight

TRADING REMAINED quiet and steady on the London money market yesterday. The yield curve stayed almost flat, with three-month sterling interbank unchanged at 15¼-15 1/16 and 12-month at 15 1/16-14 15/16 per cent.

On Liffe June delivery short sterling opened unchanged at 85.47 and drifted a little lower, to close near the bottom of the day's range at 85.44. A change in bank base rates is regarded as unlikely before delivery of the contract, and this appears to make the price range vulnerable to a downward correction at present.

Day-to-day credit *conditions* were very tight in London for the second day running. The Bank of England initially forecast a shortage of £1,100m, and revised this up to £1,150m at noon, and to £1,200m in the afternoon. Total help of £1,230m was provided.

An early round of assistance was offered. At that time the authorities bought £532m bills for resale to the market on February 12, at a rate of 14 15/16 per cent. Monday's bill repurchase agreement also unwinds on February 12, meaning the market must buy back over £1bn of bills on that day.

Before lunch the Bank of England purchased £323m bills outright, by way of £35m bank bills in band 1 at 14⅞ per cent; £10m Treasury bills in band 2 at 14¾ per cent; and £278m bank bills in band 2 at 14¾ per cent. In the afternoon another £170m bills were bought outright, via £27m Treasury bills in band 1 at 14⅞ per cent; £108m bank bills in band 1 at 14⅞ per cent; £13m Treasury bills in band 2 at 14¾ per cent; and £22m bank bills in band 2 at 14¾ per cent. Late assistance of around £205m *was also provided.*

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £544m, with Exchequer transactions absorbing £700m. These outweighed a fall in the note circulation adding £40m to liquidity and bank balances above target of £95m.

In Frankfurt call money was steady at 7.80 per cent, as dealers waited for today's result of the Bundesbank's securities repurchase agreement tender.

The central bank invited bids for a 28-day agreement at variable bid rates. It is expected that this week's allocation will roughly replace DM17bn draining from the market as an earlier pact expires today.

UK clearing bank base lending rate 15 per cent from October 5

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.6) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8 5/16	offer 8 7/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9½
Fed.funds	8¼
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	7.43	Three year	8.48
Two month	7.93	Four year	8.47
Three month	8.08	Five year	8.50
Six month	8.17	Seven year	8.52
One year	8.14	10-year	8.58
Two year	8.42	30-year	8.58

Feb.6	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.75-7.85	7.35-7.45	7.75-7.90	7.90-8.05	8.20-8.40	8.00
Paris	10 1/4-10 1/8	10 1/4-10 1/8	-	10⅝-10⅜	-	9.50
Zurich	8¾-9¼	9¼-9½	-	9¼-9½	-	-
Amsterdam	8.60-8.70	8.58-8.68	-	8.70-8.80	-	-
Tokyo	6 11/16-6 13/16	6¾-6⅞	-	6 15/16-7	-	-
Milan	12½-12¾	13½-14	-	13¼-13¾	-	-
Brussels	10.50	10¼-10½	-	10¼-10⅜	-	-
Dublin	11⅛-11¼	11¼-11⅝	11 13/16-11 15/16	11 15/16-12 1/16	11 13/16-11 15/16	-

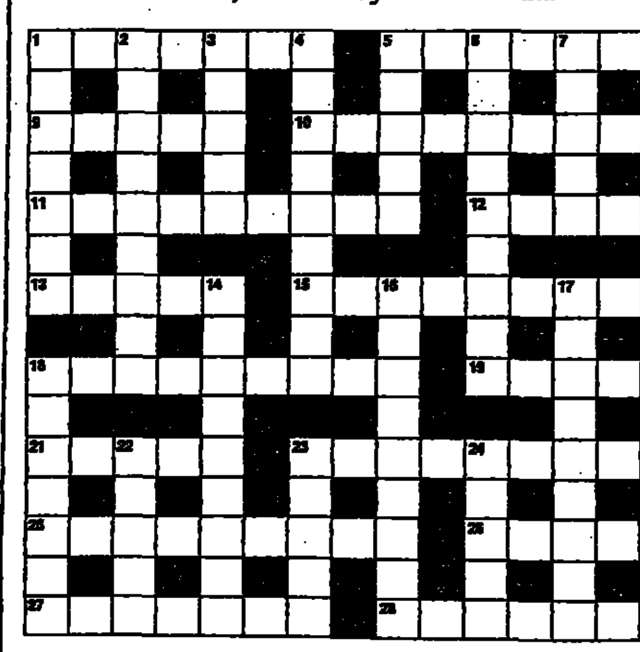
LONDON MONEY RATES

[illegible]

JOTTER PAD

CROSSWORD

No.7,158 Set by DINMUTZ



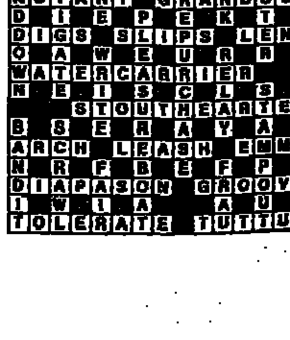
ACROSS

1 Entertainment to show nude in exotic act ... (7)
5 .... broad-minded Lil, could be bare at the middle (7)
9 College window (5)
10 This box of buttons, held in both hands, produces strain (9)
11 First-class cricket stroke to try out on the road (4-5)
12 Euclid's fifth proposition is perfect in *conception* (5)
13 Women accepting rent in one piece (5)
15 Cut, longer-established feature of the Oval. ... (3-6)
18 .... stroke of easy elegance (4-5)
19 Angle of the Spanish necktie (5)
21 Regretting collapse before *midnight* (5)
23 In state of muscular rigidity. Tom needs a pick-me-up (9)
25 Damaging china in country seat (9)
26 Being employed at home, to advantage (2,3)
27 Pan or attack idol? (4-3)
28 Compensate for putting frock on soldiers (7)

DOWN

1 Indian Watch Co. gone bust (7)
2 Full name of S, formerly (9)
3 Angered, like idler stirred (5)
4 Drink one at a time, in so provocative a manner (9)
5 Spoils, cruel spoils (5)
6 Sedative for singer holding a note? (9)
7 Grow produce (5)
8 Austrian mountain air (7)
14 Happy-go-lucky midshipman leaving? (4-5)
16 Softening agent with bribe.... (9)
17 .... Bond, perhaps, be taken in by false smile? (9)
18 Short black figure turns out to be an arsonist (4-3)
20 Gates at Lord's (7)
22 National side have bathing support upside down (5)
23 Spotted, we hear, and named (5)
24 Strained and tested (5)

Solution to Puzzle No.7,157



WORLD STOCK MARKETS

AUSTRIA

February 6	Sch	+ or −
Austrian Airlines	4,180	−50
Creditanstalt	6,500	−200
Goesser	7,370	+20
Interunfall	29,900	−100
Jungbunzlauer	18,790	+40
Laenderbank	985	+80
OeMV	5,900	+30
Perlmooser	2,360	+110
Reininghaus	3,000	+80
Semperit	211	+2
Steyr-Daimler	175	—
Veitscher Mag	1,245	+41
Verbund	416	+8

BELGIUM/LUXEMBOURG

February 6	Frs.	+ or −
Arbed	4,820	−80
B.B.L.	3,270	—
Bank Intl. a Lux	15,600	—
Banque Gen. Du. Lux.	14,850	—
Banque Nat. Belg	36,875	—
Bekaert B	15,975	−150
Ciment CBR	7,980	+80
Cobepa	5,780	−10
Do. AFV 1	5,780	—
Cockerill	188	−4
Colruyt	22,825	−300
Delhaize	5,310	−80
EBES	4,265	+40
Do. AFV 1	4,160	+5
Fabrique Nat.	428	−8
GIB Group	1,314	+2
Do. AFV	1,282	−18
GBL(BruxL)	4,390	+10
Do. AFV 1	4,380	−5
Do. AFV 2	4,385	−5
Gerbem	834	+16
Do. AFV	800	−18
Generale Bank	5,200	−100
Do. AFV 1	5,490	—
Do. AFV 2	5,810	—
Gevaert	8,210	−20
Intercom	3,430	−35
Do. AFV 1	3,375	−25
Do. AFV 2	3,370	−20

FRANCE (continued)

February 6	Frs.	+ or −
Auxiliaire d'Ent.	988	−14
BIC	715	−15
BSN	734	+2
Bancaire Cie	573	−6
BNP (Cert.Inv.)	409	+24.9
Beghin-Say	794	+4
Do. Certs	529	
Bongrain	3,050	+26
Bouygues	575	−9
CGIP	1,380	−34
CMB Packaging	214	−0.5
Carrefour	3,349	−11
Casino	174.9	+1.9
Cetelem	535	−5
Chargeurs	1,255	−6
Ciments Fr.	1,414	−6
Club Mediterranee	709	−8
Cofimeg	415	—
Cogifi	395	+4
CGE	583	+17
Coparex	352	−4
Cred Foncier Fr	1,300	+32
Credit National	1,396	−21
Dassault	4,021	−37
Docks de France	4,858	−3
Dollfuss-Mieg	612	−6
Damez S.A.	818	+2
Eaux (Cie Gen)	2,126	−19
Ecco	485	+4.5
Electrofin're	980	+10
Elf-Aquitaine	599	+5
Do. Certs	452	+12
Essilor-Bertrand	1,310	−5
Essilor	2,830	−59
Eternit (Fin.)	2,055	−65
Euradrance	2,399	−1
Eurocom	1,866	+16
Euro Disneyland	107	+3
Euromarche	4,645	−65
Exor	1,894	−36
Finextel	206	−2
Fonciere Lyons	846	+1
Fromageries	2,350	−101
GTM-Entrepose	1,325	−5
Gaumont (Soc B)	1,036	—
Gen Geophysique	1,290	+45
Gen Occidentale	905	−5

INDICES

NEW YORK

DOW JONES	Feb 6	Feb 5	Feb 2	Feb 1	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2606.31	2622.52	2602.70	2586.26	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	90.80	90.94	91.02	91.12	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1071.12	1074.15	1063.30	1060.28	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	222.71	223.91	224.28	223.28	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2629.50 (2633.56) Low 2588.29 (2592.12)

STANDARD AND POOR'S

	Feb 6	Feb 5	Feb 2	Feb 1	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	329.68	331.85	330.92	328.79	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	380.09	382.92	381.12	378.33	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.82	28.07	27.97	27.89	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	182.33	183.35	182.75	181.52	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	354.74	354.70	353.56	351.50	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	423.99	424.73	422.21	417.76	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb 2	Jan 26	Jan 19	year ago (approx.)
Dow Industrial Div. Yield	4.16	4.20	3.99	3.45

	Jan 31	Jan 24	Jan 17	year ago (approx.)
S & P Industrial div. yield	3.13	3.11	3.03	3.12
S & P Indl. P/E ratio	14.04	14.09	14.39	13.40

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Pan Am Corp	4,468,300	3⅝	− ¼
IBM	2,701,000	101	+ 1⅞
Bank of N. Eng.	2,416,600	6¼	+ 1
Am T & T	1,603,300	39½	− ½
Philip Morris	1,522,200	38¼	− ⅝
Global Mar	1,397,800	4⅞	—
Gen Electric	1,199,100	62	+ ¼
Exxon (ud)	1,184,400	47¼	− ⅛
Phillips Pet.	1,166,800	25⅞	+ ¼
Genentech	1,160,500	27⅞	− ⅛

TRADING ACTIVITY

† Volume Millions	Feb 6	Feb 5	Feb 2
New York	134.972	130.950	164.400
Amex	12.577	12.659	11.538
NASDAQ	(u)	108.352	135.020
Issues Traded	(u)	1,965	1,962
Rises	(u)	830	1,004
Falls	(u)	646	494
Unchanged	(u)	489	464
New Highs	(u)	21	19
New Lows	(u)	39	46

CANADA

TORONTO	Feb 6	Feb 5	Feb 2	Feb 1	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3017.54	3056.23	3019.47	3004.18	3919.2 (1/9/89)	3004.18(1/2/90)
Composite	3769.06	3767.21	3719.57	3709.05	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1896.35	1896.00	1876.80	1872.91	2069.68(10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb 6	Feb 5	Feb 2	Feb 1	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1668.8	1666.8	1669.3	1670.9	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	848.9	841.2	843.0	837.9	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	627.63	625.96	603.06	587.27	627.63 (6/2/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6199.59	6232.55	6237.52	6226.46	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	(u)	380.32	377.17	373.55	380.32 (5/2/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	671.6	668.6	667.2	(u)	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	526.67	528.00	521.33	520.83	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1916.33	1926.14	1924.70	1895.53	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	806.40	807.13	795.38	774.10	807.13 (5/2/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2370.8	2369.8	2334.7	2274.4	2370.8 (6/2/90)	1595.7 (27/2/89)
DAX (30/12/87)	1937.72	1939.43	1910.67	1858.08	1939.43 (5/2/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2792.89	2756.67	2736.55	2738.24	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1840.86	1851.81	1860.86	1859.11	1893.10 (22/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	686.22	687.20	684.37	684.27	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	37666.83	37631.41	37650.15	37206.42	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2766.13	2763.11	2762.40	2754.09	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4197.91	4153.41	4134.53	4116.53	4197.91 (6/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	610.95	600.51	587.85	(c)	610.95 (6/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	253.0	256.1	256.8	254.1	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	194.1	196.5	197.0	194.9	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	799.51	796.62	776.12	776.36	799.51 (6/2/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1032.38	1020.24	1016.02	1043.28	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	443.34	442.85	438.13	432.80	443.34 (6/2/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2228.0§	2239.0	2250.0	2180.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	3208.0§	3157.0	3031.0	2933.0	3208.0 (6/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	886.86	877.45	878.15	885.83	1007.80 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	291.36	287.26	283.19	281.74	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	(u)	(u)	(u)	4660.3 (16/8/89)	3333.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	771.0	771.7	763.4	754.7	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	12289.36	12302.07	12217.78	12087.23	12302.07 (5/2/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	798.12	822.56	832.20	845.35	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	545.4	543.9	541.6	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Feb. 3: Taiwan Weighted Price: 11869.40 Korea Comp Ex. 874.92
§ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday February 6 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Mining	15.8m	1,120	+20
Teikoku Oil	13.7m	1,840	+80
Sumitomo Mt M	11.2m	2,270	+60
Cosmo Oil	7.1m	1,390	+10
Marubeni	7.1m	1,040	+10
Tokyo Gas	6.9m	1,070	0
Nippon Seiko	6.5m	1,350	+10
Nippon Steel	6.9m	709	+2
Showa Denko	5.8m	1,000	+5
Kawasaki Steel	5.8m	801	−4

4pm prices February 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	24¾	AAR	.48	1.5	19	76	31½	31⅛	31⅛	
9¾	8½	ACM n	1.01	11.		105	9⅜	9¼	9¼	
11⅜	10½	ACMIn	1.26	11.		525	11⅛	11	11	
9⅞	8	ACM M	n1.01	12.		218	8⅝	8⅜	8⅜	– ¼
12¾	12	ACMMM				131	12⅛	12	12	– ⅛
11½	10	ACM Sc	1.25	11.		850	11	10⅞	11	
9⅜	8⅛	ACMSp	1.01	11.		342	9¼	9⅛	9¼	– ⅛
19⅞	11½	AL Lab	.16	.9	19	96	18⅜	18	18	– ½
4⅛	3¼	AMCA	.12e	3.6	8	5	3⅜	3⅜	3⅜	
6⅛	3⅜	AM Intl			8	2030	3⅞	3⅝	3⅞	+ ⅛
23½	16⅝	AM In pf	2	11.		22	17⅝	17⅛	17⅝	+ ⅜
107¼	52½	AMR			8	2980	54⅝	53¼	54½	+ ¼
27	25	ANR pf	2.67	10.		44	26⅜	26¼	26⅜	+ ⅜
6½	3⅛	ARX				39	3⅜	3¼	3¼	– ⅛
72¾	39	ASA	3a	4.2		2625	71⅞	70¼	71⅛	– 1¼
70⅜	48⅛	AbtLab	1.40	2.2	17	2552	65¼	64⅝	64⅞	– ⅜
18¼	11¼	Abitibi g	.50			208	12¾	12½	12⅝	
13	9⅛	AcmeC	.40	4.1	11	153	10⅛	9⅞	9⅞	– ⅛
9¾	6	AcmeE	.32	3.6	11	11	8⅞	8¾	8⅞	+ ⅛
38½	25½	Acuson			19	236	26⅜	25½	26⅜	
16½	12⅞	AdaEx	2.08e	13.		203	16½	15⅞	15⅞	– ⅛
15⅜	7	Adobe				140	13½	13	13⅜	– ⅛
20¼	18⅞	Adob pf	1.84	9.6		1	19⅛	19⅛	19⅛	+ ⅛
21⅝	19⅞	Adob pf	2.40	11.		62	21¼	21¼	21¼	+ ⅛
10½	6⅞	AMD			5	2904	7¼	6⅞	7	– ⅛
35	26⅜	AMD pf	3	11.		45	28⅝	28⅜	28½	
10⅛	6⅛	Advest	.16	2.3	9	49	6⅞	6¾	6⅞	+ ⅛
62½	48½	AetnLf	2.76	5.6	8	1617	50	49⅝	49⅝	– ⅜
14	9⅞	AflPb	.24	2.2		225	10⅞	10¾	10¾	– ⅛
25	16⅛	Ahmans	.88	4.8	9	1787	18¼	17½	18¼	+ ½
3⅞	2⅛	Aileen				39	2¼	2⅛	2¼	+ ⅛
50¾	40	AirPrd	1.32	2.9	12	1595	46⅛	45⅜	45¾	– ½
39⅝	21¾	AirbFrt	.60	1.6	14	375	37	36	37	+ 1⅛

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32½	21¼	XTRA pf1.94		8.7		106	22¼	21⅞	22¼	
4⅝	2⅛	Zapata				1439	3⅛	2⅞	2⅞	
12⅝	7¼	Zemex	.20	2.8		4	7¼	7⅛	7⅛	-⅛
21½	8⅞	ZenithE				708	10⅛	9⅞	10	
21½	15⅞	ZenNtl	.84	5.1	8	65	16⅝	16½	16½	-⅛
10	5⅝	Zenix	1.06	16.		301	6⅝	6⅝	6⅝	-⅛
18½	14⅛	Zero s	.40	2.8	14	350	14¾	14¼	14½	-½
44⅝	25⅞	Zurnin	.76	2.1	17	179	36½	36⅛	36⅛	-⅛
12⅝	10	Zweig	1.21e	11.		228	11½	11⅜	11⅜	-⅛
10	8¾	ZweigTl	.96	10.		x1431	9⅝	9½	9⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, *rates of dividend are annual disbursements based on the* latest declaration.

a-dividend also xtra(s). b-annual *rate* of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared *or paid* in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. *nd-next day delivery. P/E price-earnings ratio.* r-dividend declared or paid in *preceding* 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices February 6

NASDAQ NATIONAL MARKET

3pm prices February 6

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Wyman	.80		283	13	12⅞	12⅞	
			-X-Y-Z-				
XL Dta s		5	1153	7½	6½	7⅛	+⅝
XOMA			1773	19½	18¾	19⅜	+⅛
Xicor		150	475	3⅛	2⅞	3	
YanEnS	.76e	13	11	20½	19¾	20½	
YelowF	.76	37	x400	24⅛	23¾	24	
YorkRe		19	241	10⅛	9⅞	9⅞	-⅛
ZionUt	1.44	12	286	27⅝	27½	27½	

Continued on Page

AMERICA

Investors lose nerve after slump in Treasury bonds

Wall Street

AFTER TWO sessions of healthy gains, the stock market yesterday appeared to lose its nerve as the Treasury bond market slumped in advance of this week's quarterly refunding, *writes Janet Bush in New York*.

The Dow Jones Industrial Average closed 16.21 points lower at 2,606.31 on low volume of 136m shares. The Dow had closed 19.82 points higher on Monday at 2,622.52.

The Nasdaq Composite index of over-the-counter stocks was quoted marginally lower at the close while the American Stock Exchange index was virtually flat.

Both the stock and bond markets are dominated by concerns about what demand will emerge at this week's quarterly refunding after much discussion about rising Japanese yields – which made US bonds less attractive – and an increasing desire among Tokyo investors to diversify portfolios globally. During the 1980s they were almost undiscriminating buyers of US securities.

Yields have risen so sharply in the bond market this year that they should attract demand at this week's auctions which include the $10bn sale of three-year notes yesterday, today's $10bn sale of 10-year bonds and tomorrow's auction of $10bn in 30-year bonds. The three-year sale appeared to see healthy demand.

There is a feeling that, if the refunding goes well, there could be scope for major rallies at least in the bond market, but also in the stock market.

The benchmark long bond was quoted around ½ point lower in late trading yesterday for a yield of 8.57 per cent.

The selling in the stock market was triggered partly by a round of selling due to programme stock index arbitrage trading when index futures fell to relatively small premiums to the cash market.

At one point, the Dow had fallen by nearly 25 points to below the 2,600 level, but it then stabilised to stand just above 2,600.

The focus on the refunding reflects general concern about the outlook for the economy and for interest rates. The policy-making Federal Open Market Committee of the US Federal Reserve started its two-day meeting yesterday and financial markets will be watching carefully for any signs of a change in money policy. The general consensus is that the Fed will opt for no change for the time being.

Blue chip issues were mixed with International Business Machines up $1¼ at $101, Philip Morris down $½ at $38¼, Merck off $1⅛ at $70⅞ and Exxon $¼ weaker at $47¼.

Among featured issues was Eastman Kodak which fell $1⅝ to $37⅞ on news that the company reported a fourth quarter loss of 19 cents a share after a charge for restructuring compared with net income of 96 cents a share a year earlier.

PepsiCo added $1⅛ to $59⅝. Its net income rose to 76 cents a share from 72 cents a year earlier despite reorganisation charges in the fourth quarter.

Pitney-Bowes fell $⅛ before recovering to close $⅛ higher at $41⅞ after reporting a fourth quarter net income fall of around 88 per cent.

Pan Am, boosted on Monday in heavy trading on rumours of a merger with Northwest Airlines, was left unchanged at $3⅝, after yesterday's board meeting broke up without any announcement.

Precious metals mining companies fell back after their rally on Monday on a combination of a higher gold price and political uncertainty in the Soviet Union.

Canada

STOCKS in Toronto closed flat in light turnover. Dealers said the US Treasury bond sale went as expected, with the average yield of the three-year notes at 8.43 per cent.

The Toronto market dipped slightly following the release of the results but then recovered.

The composite index rose 1.8 to 3769.1 on volume of 25.7m shares. Declines led advances 324 to 293.

ASIA PACIFIC

Mood of caution in Tokyo as elections draw closer

Tokyo

EARLY gains, encouraged by Wall Street's modest rise and the yen's firmness against the dollar, were mostly wiped out later yesterday, and share prices ended moderately higher in thin volume, *writes Michiyo Nakamoto in Tokyo*.

Index funds led the Nikkei average over 167 higher in morning trading; but after reaching a high of 37,886.69 the Nikkei average finished the day up 35.42 at 37,686.83. The low was 37,642.89.

Advances led declines by 537 to 378 with 216 unchanged. Turnover was 535m shares against 587m on Monday, the Topix index of all listed shares saw a slight gain of 3.02 to 2,766.13 and, in London, the ISE/Nikkei 50 index rose 3.00 to 2054.46.

The market was still in a cautious mood, but there were some encouraging signs, said Mr Shoin Yokoyama at Crédit Suisse Investment Advisory. Investors were more positive about developments in the Soviet Union, and at home.

As the national elections draw closer, the idea of a subsequent market rally is gaining an audience. "The Japanese market always surges when something negative is out of the way," one salesman told a foreign broker yesterday.

Furthermore, said Mr Yokoyama, there are more impatient investors, anxious to improve their performance before they close their books at the end of March; they might not wait until after the elections.

That said, investment buying in yesterday's market suggested that trading was still dominated by cautious thinking. Issues tailored to a time of uncertainty, particularly non-ferrous metals and oils, were the most popular.

Nippon Mining, active in mining development and oil exploration, topped the volumes list again with 15.8m shares and finished Y20 better at Y1,120. Nippon Mining is also a major shareholder of Kyodo Oil.

Sumitomo Metal Mining was third in volume with 11.2m shares and gained a strong Y60 to Y2,370.

Non-ferrous metals were supported by strong gold prices, as well as concern about inflationary pressures.

In oils, Teikoku Oil was second in volume with 13.7m shares and rose Y80 to Y1,840. Cosmo Oil advanced Y10 to Y1,390 in active trading. Oil issues were popular on the strength of expected rises in oil prices and restructuring in the industry.

Among individual features, Nippon Seiko has been gaining support. One broker estimated that its pre-tax profits would rise 27 per cent in the coming business year, and the shares added Y10 to Y1,350.

In Osaka, the OSE average extended its uptrend, adding a further 132.53 to 38,805.23. Turnover was slim at 66.3m shares, although up significantly from the 45.57m traded on Monday. Nintendo, the maker of video games, rose Y700 to Y17,400 after an upward revision of its earnings estimates.

Roundup

MIXED feelings characterised Pacific Basin markets yesterday, as doubts overshadowed even the best performances.

HONG KONG rallied for the second consecutive session. The Hang Seng index rose 36.22, or 1.3 per cent to 2,792.89, its highest level since January 12, after a gain of 20.12 on Monday. Turnover rose from HK$623m to HK$754m.

The commercial and industrial sub-index put on 2 per cent, followed closely by properties. Past laggards were swept upwards, including Hutchison Whampoa and Cathay Pacific Airways which both rose 20 cents, to HK$8.40 and HK$8.15 respectively.

However, it was noted that today marks the start of trading for the new Hong Kong interest rate futures contract which, it was thought, could draw investors's attention away from the bourse.

AUSTRALIA saw a higher bullion price and a weaker Australian dollar, and in that context the 34.6 rise to 1,974.0 in the gold share index was seen as disappointing. The All Ordinaries index only managed a 2.1 rise to 1,668.9 in lethargic trading, although turnover picked up a little from A$146m to A$163m.

News Corp slowed its recent fall, steadying at A$11.60, Adelaide Steamship dropped 14 cents to A$5.46. Both companies have been weak as the market has lost the affection it once had for high-profile entrepreneurs.

Coles Myer, Australia's biggest retailer, lost 10 cents to A$7.88 after Monday's after hours news that first half sales rose by only 5.1 per cent, falling behind Australia's inflation rate of around 8 per cent.

Elsewhere, **TAIWAN's** weighted index, which rose 432.67 on Monday, fell 12.71 to finish at 12,289.36. **SEOUL** looked forward to better economic relations with North Korea and the composite index closed 9.41 higher at 886.86.

SINGAPORE's computerised trading system broke down for the second consecutive day, but the Straits Times industrial index rose 6.47 to 1,582.70. **KUALA LUMPUR** hit its second consecutive record high, ending 10.44 better at 610.95.

Waves of optimism at gateway to the East

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	+9.88	+10.63	+119.34	+26.49	+21.45	+26.65
Belgium	-0.28	-5.84	-0.26	-4.60	-7.74	-3.79
Denmark	+4.19	+2.46	+32.40	+2.92	-0.40	+3.86
Finland	+1.23	+7.78	+0.93	+9.45	+7.01	+11.59
France	+1.93	-2.46	+14.50	-3.84	-6.97	-2.99
W. Germany	+5.84	+3.43	+41.30	+6.89	+2.85	+7.25
Ireland	+0.60	+0.80	+31.91	+7.35	+4.18	+8.63
Italy	-0.14	-3.63	+13.15	-1.73	-4.54	-0.46
Netherlands	+3.42	-1.86	+10.64	-3.13	-6.62	-2.63
Norway	+5.66	+5.44	+39.36	+11.54	+8.40	+13.03
Spain	+2.13	-4.88	-0.22	-4.78	-8.26	-4.34
Sweden	+2.44	-2.48	+27.69	+2.69	-0.69	+3.56
Switzerland	+2.76	-2.88	+18.82	-1.19	-2.31	+1.87
UK	+1.50	-3.31	+11.11	-2.59	-2.59	+1.58
EUROPE	+2.47	-1.84	+16.44	-0.76	-2.71	-1.45
Australia	-1.15	-1.70	+13.48	+1.55	-4.61	-0.54
Hong Kong	-1.30	-3.67	-13.12	-4.10	-8.11	-4.17
Japan	+1.80	-3.29	+8.39	-4.93	-9.81	-5.95
Malaysia	+3.65	-0.11	+48.03	+2.31	-1.87	+2.34
New Zealand	+0.76	-4.91	-1.85	-2.65	-6.58	-1.54
Singapore	+6.02	+1.69	+34.09	+7.29	+4.73	+9.21
Canada	-0.08	-5.89	+2.93	-5.59	-11.75	-7.98
USA	+1.49	-6.54	+10.74	-6.47	-10.31	-6.47
Mexico	+12.93	+11.72	+168.34	+14.70	+9.59	+14.27
South Africa	+0.71	+1.87	+56.25	+9.47	+14.17	+19.06
WORLD INDEX	+1.79	-3.93	+10.96	-4.22	-8.12	-4.18

† Based on February 2, 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited.

By Simon Greaves

A NUMBER of European bourses, directly or indirectly, gained from the prospect of German reunification last week. The broad economic and social changes sweeping the Eastern Bloc seemed to act as a magnet for overseas investors.

Europe delivered an overall 2.47 per cent improvement last week in local currency terms, returning to positive territory and contributing to a turnround in the FT-Actuaries World Index, which advanced by 1.79 per cent after a 5.91 per cent retreat over the previous four weeks.

There were positive signs around the world. Wall Street struggled to shrug off its January losses and clawed back a 1.49 per cent gain; Japan finished strongly last Friday when the Nikkei average advanced by 443 points.

West Germany spearheaded the European advance, moving forward by 5.84 per cent, in a week which saw trading volume records shattered by a wave of optimism.

In the Nordic region, Denmark and Norway both registered improvements of more than 4 per cent. Denmark's shipping sector was strong because of a shortage of sellers, in a week when good trade figures were announced; Norway's gain was inspired by hardening oil prices.

Austria, seen as the prime gateway to the East, advanced almost 10 per cent over the week in local currency terms and has improved by an impressive 26.49 per cent since the start of the year.

Mr Andrew Thomson, an analyst at Kleinwort Benson Securities, said: "Among the hard currency markets, Austria is definitely the most highly geared to trade with the East. Some 9 per cent of her exports go to Comecon countries while West Germany's exports there are less than 6 per cent of the total."

Austria is also coming under buying pressure from international funds geared to Eastern Europe, particularly those operated from Japan. International fund managers are looking to take big weightings in Austria, Mr Thomson said.

Mexico emerged as the strongest gainer of the week, finishing 12.93 per cent ahead in local currency terms after notching up all-time highs over the last three days of the week.

Mr Tony Ewell, head of emerging markets at Corporate Broking Services, a London stockbroking house, said: "We have seen enthusiasm for the Mexican President's austerity measures and economic reforms which have helped push inflation down from 179 per cent at the end of 1987 to the current figure of about 19.7 per cent."

President Carlos Salinas de Gortari's recent promotional tour of Europe, further sales of stock in the telecoms group, Telmex, and increased foreign participation have all supported sentiment.

In the Pacific region, Malaysia was the most healthy location, chalking up a 3.65 per cent rise.

Stronger sterling supported a more optimistic trend with bargain hunters emerging in London. Banks, oil companies and life-insurance firms were notably buoyant as the UK improved by 1.5 per cent.

EUROPE

Bourses lose impetus on interest rate fears

PROFIT-taking, concern about interest rates and the weak opening on Wall Street took the wind out of Continental sails yesterday, *writes Our Markets Staff*.

FRANKFURT resisted the impact of profit-taking and another decline on the domestic bond market. But the FAZ index eased 0.73 to 806.40 at midsession and the DAX, up 18.31 at one point to an intraday record high of 1957.74, closed 1.71 lower at 1937.72.

There were some remarkable price movements on the day. Asko, the retailer with big ambitions, fell DM70 to DM745 after a DM12 decline on Monday; visiting analysts have gained the impression that earlier indications of a rise in a quarter in 1989 earnings have been replaced by the prospect of stasis.

They say that this reflects the costs of restructuring Asko's distribution network, as well as interest charges on its adventure into Euro-retailing last year, which involved it taking a not too friendly, and so far abortive stake in the Dutch retailer, Ahold.

The strongest gainer among blue chips was BMW, DM25 higher at DM615. However, the stock has been relatively weak against the market while other carmakers, like Daimler, have galloped ahead since last December. Daimler fell DM18 to DM913 yesterday.

Meanwhile, the energy group, Veba, put on DM10 to DM492. The shares have risen by nearly 70 per cent since mid-October; there are estimates that the company's real estate assets, alone, are worth over DM500 a share.

PARIS fell as investor sentiment was dampened by concern over interest rates, a weak Wall Street opening, worries over weakening demand in the automotive sector, and softer French bond prices.

The CAC 40 index shed 9.81, or 0.51 per cent, to 1,916.33, in moderate trade. Concern about potential lack of demand for this week's US bond auction also clouded the market.

Poor car registration data for January saw Peugeot lead the sector lower with a fall of FFr35 to FFr1,340. Michelin, the tyre group, followed with its second consecutive daily retreat, a FFr2.70 drop to FFr142.40. Valeo, the car parts group, turned in a FFr22 drop to FFr728. Eurotunnel was also among the biggest fallers. In relatively light trading, it shed FFr2.10 to FFr61.90.

CGE, the electronics group, stayed among the actively sought issues as Japanese investors chased the stock. It gained FFr17 to FFr583.

Euro Disneyland was among the biggest gainers for the second consecutive day with a rise of FFr2.50 to FFr107. It saw an intraday rise of FFr12.50 trimmed by profit-taking. The rise was triggered by the fact that US investors were allowed to buy the stock for the first time on Monday.

AMSTERDAM saw the CBS Tendency index down 1.6 to 111.9 on interest rate worries and weakness abroad.

The airline, KLM, was among the heavier losers, losing Fl 1.70 to Fl 39.90. News of a fall in the company's load factor prompted pressure on the share before tomorrow's release of third quarter results.

Among blue chips, the market leader, Royal Dutch, lost Fl 1.50 to Fl 144.40. Philips, the white goods and electricals group, shed Fl 1.10 to Fl 43.50. News of a licensing pact with Digital Design of France for the manufacture and sale of medical camera systems failed to help the issue.

VRG, the paper wholesaler, was one of the rare gainers, up Fl 2.70 to Fl 55.00 after an improved estimate for 1990 net profit.

OSLO hit its fourth record high in a row, with the all-share index up 5.89 at 600.23 in volume of over NKr 600m. The insurance index jumped 17.36 to 406.26 and shippings rose 19.42 to 864.26.

Svenska Handelsbanken made a bid for Oslo Handelsbank, in which trading was suspended on Monday. The offer totals NKr212m, representing a premium of 60 per cent over the current stock exchange price and 40 per cent over asset value.

COPENHAGEN consolidated after recent buying and edged down slightly. Sentiment was depressed by a fall in local bond market prices, which dropped half a point during the morning.

Exporters and shippers led the field, with Bang and Olufsen dipping on profit-taking. B and O reports half-year results today.

The overall index was expected to edge down after rising 3.15 to a record close of 380.32 on Monday.

STOCKHOLM stayed slack and pessimistic, as a result of a pay dispute which has kept Swedish banks shut for over a week. Volume was very thin, while the general index fell 4.00 points to 1,253.4.

A decision by bank employees to reject the employers latest pay offer means that banks are likely to stay closed at least until Friday, fuelling further market discontent.

Esselte, the office supplies and media group suspended on Monday following takeover rumours, said that it would say more about the situation after a Board meeting tomorrow.

HELSINKI rose in high volume as the construction group, Lohja, raised its stake in Wartsila to nearly 33 per cent of the votes. The all-share index rose 3.0 to 671.6.

BRUSSELS was little changed as it worried about high interest rates and the first day of a new fortnightly trading cycle failed to inspire investors. The cash market index slipped 32.96 to 6,199.59.

MADRID managed slight gains as bargain hunters emerged. The general index put on 1.78 to 291.35.

SOUTH AFRICA

Industrials lead to firmer close

A FRESH spurt of overseas buying helped gold shares in Johannesburg stage a late rally from their early lows.

The rest of the market generally closed firmer, led by industrials which posted new highs for the third successive day.

The JSE gold index closed at a preliminary 2,228, down slightly from Monday's 2,239 close, while the industrials index again hit a record high, up 51 at 3,208.

The overall index was also at a new high of 3,377 compared to Tuesday's 3,157.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY FEBRUARY 6 1990						MONDAY FEBRUARY 5 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	148.92	+0.2	129.68	129.11	−0.1	5.22	148.58	129.96	129.26	160.41	128.28	150.05
Austria (19)	247.58	+3.0	215.60	213.44	+1.9	1.25	240.41	210.28	209.52	247.58	92.84	94.47
Belgium (61)	150.53	+0.5	131.09	128.63	−0.6	4.33	149.74	130.97	129.43	160.02	125.58	133.69
Canada (120)	141.72	+0.2	123.41	121.86	+0.1	3.32	141.40	123.68	121.79	154.17	124.67	137.27
Denmark (36)	260.82	+1.3	227.13	227.30	+0.8	1.39	257.54	225.27	225.84	260.82	165.35	156.53
Finland (26)	152.29	+1.2	132.61	125.20	+0.4	2.40	150.46	131.61	124.73	159.16	118.63	140.50
France (125)	153.63	+0.1	133.79	135.98	−0.4	2.77	153.42	134.19	136.57	157.97	112.57	118.26
West Germany (96)	137.01	+0.7	119.31	118.06	−0.1	1.80	136.05	119.00	118.12	137.01	79.58	85.63
Hong Kong (48)	114.88	+1.6	100.04	115.19	+1.6	4.95	113.12	98.94	113.42	140.33	86.41	129.37
Ireland (17)	197.54	−0.3	172.03	174.46	−0.7	2.39	198.19	173.35	175.69	198.57	125.00	135.86
Italy (96)	99.47	+0.2	86.63	91.71	−0.3	2.50	99.32	86.87	91.97	102.11	74.97	79.13
Japan (455)	185.81	+0.1	161.81	170.43	+0.0	0.48	185.56	162.31	170.49	200.11	164.22	193.44
Malaysia (36)	241.57	+1.2	210.36	251.20	+1.2	2.13	238.75	208.83	248.22	241.57	143.35	156.84
Mexico (13)	366.51	−1.0	319.16	1092.96	+0.0	0.47	370.24	323.84	1092.96	371.93	153.32	163.12
Netherland (43)	140.06	−0.6	121.96	119.54	−1.3	4.50	140.86	123.21	121.13	145.66	110.63	113.97
New Zealand (18)	71.66	+0.4	62.40	63.26	+0.0	5.57	71.38	62.44	63.26	88.18	62.64	73.19
Norway (24)	237.90	+1.8	207.17	207.14	+1.0	1.32	233.63	204.35	205.17	237.90	139.92	159.28
Singapore (26)	199.38	+0.9	173.62	170.53	+0.4	1.71	197.54	172.79	169.82	199.38	124.57	139.70
South Africa (60)	251.39	+2.0	218.92	175.84	+1.0	3.17	246.44	215.56	174.05	251.39	115.35	125.62
Spain (43)	160.53	+0.3	139.80	130.80	+0.0	4.01	160.05	140.00	130.83	169.75	143.14	146.79
Sweden (35)	200.95	+0.4	174.99	180.87	−0.1	1.94	200.22	175.13	181.02	206.95	138.45	147.85
Switzerland (62)	98.04	+0.1	85.38	89.78	−0.1	2.00	97.90	85.63	89.83	99.12	67.81	76.21
United Kingdom (306)	161.09	−0.7	140.28	140.28	−1.1	4.51	162.14	141.82	141.82	164.31	133.28	150.74
USA (542)	133.39	−0.6	116.16	133.39	−0.6	3.54	134.19	117.37	134.19	146.29	112.13	121.90
Europe (969)	146.26	+0.0	127.37	127.12	−0.6	3.37	146.33	128.00	127.88	146.66	112.63	119.54
Nordic (121)	201.89	+0.9	175.81	171.48	+0.3	1.68	200.04	174.97	170.89	201.89	137.95	144.01
Pacific Basin (667)	181.88	+0.2	158.39	166.79	+0.0	0.72	181.58	158.82	166.80	194.72	160.44	188.93
Euro – Pacific (1656)	167.86	+0.1	146.18	151.00	−0.2	1.68	167.70	146.69	151.33	174.18	141.56	161.17
North America (662)	133.79	−0.5	116.51	132.68	−0.6	3.53	134.52	117.66	133.41	146.66	112.79	122.73
Europe Ex. UK (683)	135.73	+0.3	118.20	118.84	−0.3	2.62	135.26	118.31	119.15	135.73	96.30	100.33
Pacific Ex. Japan (212)	134.60	+0.7	117.21	121.25	+0.5	4.72	133.65	116.91	120.71	140.05	111.93	134.80
World Ex. US (1849)	167.87	+0.1	146.19	150.56	−0.2	1.73	167.67	146.66	150.85	173.77	141.49	159.99
World Ex. UK (2085)	153.93	+0.0	134.05	145.24	−0.2	2.04	153.99	134.69	145.58	162.00	136.98	144.74
World Ex. So. Af. (2331)	153.96	−0.1	134.07	144.51	−0.3	2.26	154.14	134.82	144.98	161.84	136.67	145.38
World Ex. Japan (1936)	139.97	−0.3	121.89	131.55	−0.5	3.50	140.32	122.74	132.21	145.52	114.51	122.13
The World Index (2391)	154.55	−0.1	134.59	144.73	−0.3	2.27	154.70	135.31	145.18	162.05	136.68	145.26

Prices for Finland & Sweden were not fully updated following problems at the exchanges. New Zealand market closed February 6.